

Embracing complexity to capture Alpha

Dear Investors,

At first glance, the Indian economy appears to be navigating a phase of macroeconomic consolidation, supported by a favorable inflation trajectory, moderating external imbalances, and a constructive fiscal position. Declining crude oil prices, stabilized food inflation, and softer metal costs are contributing to a disinflationary trend, helping compress the current account deficit and improve fiscal optics - factors that have bolstered investor sentiment in recent months.

However, this apparent macro stability should not breed complacency. The economic outlook remains precariously balanced, reflecting the reality of a new global regime defined by shorter and more volatile business cycles. In contrast to the past, shocks now arrive with greater frequency and intensity, disrupting price stability and asset valuations. The structural realignment of global trade, marked by a retreat from multilateralism and a proliferation of protectionist policies, has distorted markets and fundamentally redefined the globalization narrative. Layered atop this are geopolitical tensions, climate-related disruptions, leading to supply chain fragilities, which have collectively embedded a new kind of uncertainty into the system - one that is persistent rather than transitory. These factors have materially altered the calculus for policymakers, corporates, and investors alike.

Within this volatile backdrop, the equity markets are beginning to reflect this elevated uncertainty. As we progress through the current quarterly earnings season, there has been a visible trend of earnings downgrades, multiple re-ratings and de-ratings across sectors, and more conservative forward guidance from corporates. The market is re-pricing risk to account for this reality, and the assumption of linear or high growth in perpetuity, is being increasingly questioned.

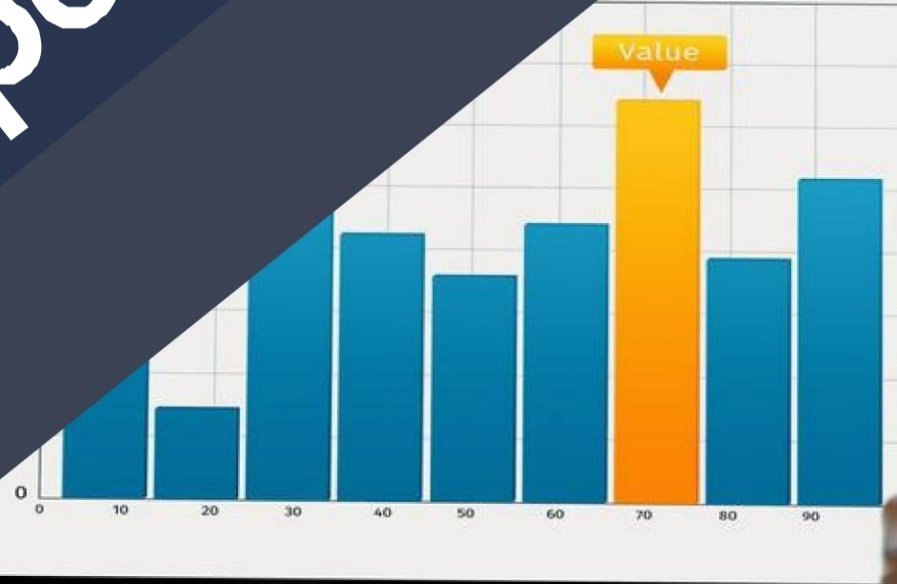
The implication is clear; we are no longer in an environment where long-term growth trajectories can be taken as a given. The premium now lies in adaptability, scenario-based planning, and risk-aware capital allocation. Investors and policymakers alike must shift from a static to a dynamic mindset. The playbook must now account for volatility as a structural feature, not an episodic aberration. One that treats volatility not as a temporary dislocation, but as a defining feature of a new economic order.

Best regards,

Siddharth Jadeja



Investment Strategy Report





Contents



01

About US

02

Economic Outlook

03

Equity Outlook

04

Debt Outlook

05

Deploymefit
Model

06

Optimus Prime

07

Portfolio Stafice



KILIKA CAPITAL





WHO WE ARE?



ABOUT US

Kilika Capital is a research-driven investment firm specializing in **deep research** and analysis to identify high-quality financial products for sophisticated investors.

OUR MISSION

At Kilika Capital, our sole mission is to **generate Alpha** for our investors.

MEET OUR LEADERSHIP TEAM – THE DREAM TEAM!

At Kilika Capital, we believe that great businesses are built by exceptional people. Our team brings a mix of experience, precision, and creativity that sets us apart, but what truly defines us is our shared passion for delivering results.

Siddharth Jadeja, CFA – The Strategist

Our managing partner, Siddharth Jadeja, is the calm, analytical anchor of Kilika Capital. A CFA charterholder and an MBA in finance, Siddharth comes with over 15 years of experience in a variety of roles ranging from credit risk, equity research, corporate banking, structured finance, and fund management at giants like HDFC Bank, Edelweiss Capital and Nuvama to name a few. He's been the brains behind countless deals, with the kind of market insights you'd bet on any day. Whether it's breaking down complex businesses or analysing sectors or structuring assets, Siddharth's expertise in credit and risk ensures our ship sails smoothly. Investors trust him, and so do we—his knack for turning numbers into actionable results through rigorous analysis is *nothing short of magic*. Siddharth, a passionate sports enthusiast who has played cricket at the state level, brings the same unwavering discipline and never-give-up attitude to Kilika Capital.

Smitha Iyer – The Operational Hawk

If you ever wonder who keeps our house in perfect order, meet Smitha Iyer, the head of operations and our very own perfectionist-in-chief. Chemical Engineer, an alumna of Welingkar Institute Of Business Management, Smitha is an MBA in finance with over 8 years of experience in giants like ICICI Prudential and Future Generali. She took a short break to embrace motherhood (shoutout to her little champ, Devamsh!) And returned with twice the tenacity. She hounds the AMCs, dots every i , and crosses every t —no document or process escapes her eagle eye. Sure, her insistence on perfection might leave you a little exasperated, but when you realize that clean operations mean safety, you'll be grateful she's on your side.

Piyush Sharma – The Creative Wizard

Meet Piyush Sharma, our research lead and the youngest brain in the room—but don't let that fool you. Armed with an MBA and a flair for creativity, Piyush lives and breathes financial models. Whether it's running a Monte Carlo simulation, dissecting a mutual fund, creating a portfolio company DCF model, or rethinking how investor portfolios are structured, he's always cooking up something extraordinary. Watching Piyush and Siddharth brainstorm together is like watching a symphony of numbers—a mix of youthful enthusiasm and seasoned experience. For Piyush, Kilika Capital isn't just a job; it's a playground for pushing the boundaries of quantitative finance, a platform to challenge conventions, explore new paradigms, and redefine what's possible in a financial model. Who says spreadsheets can't be fun!?

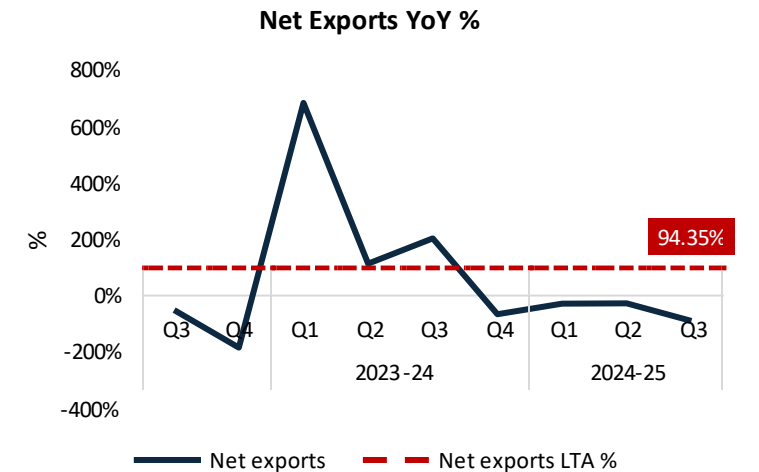
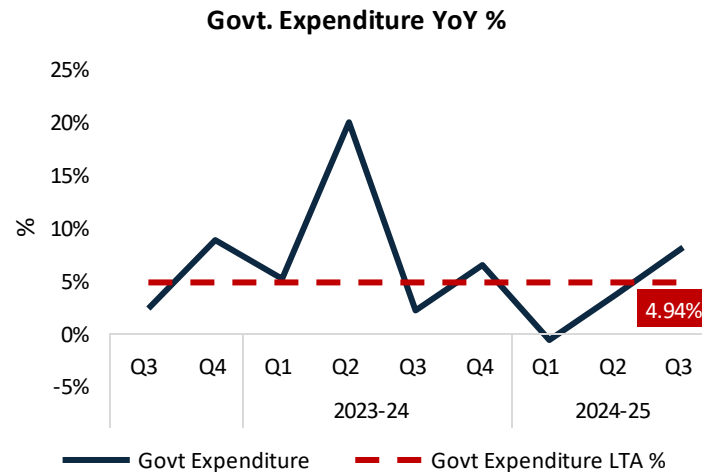
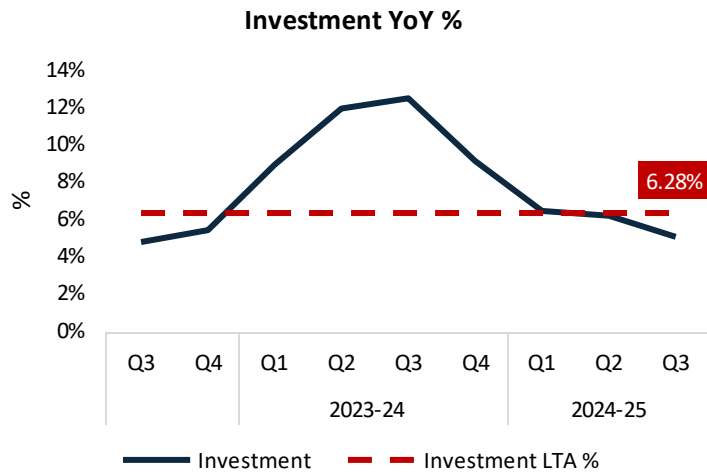
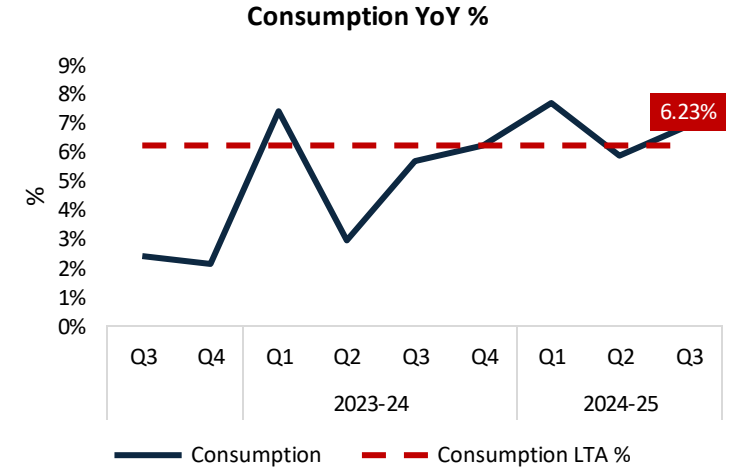
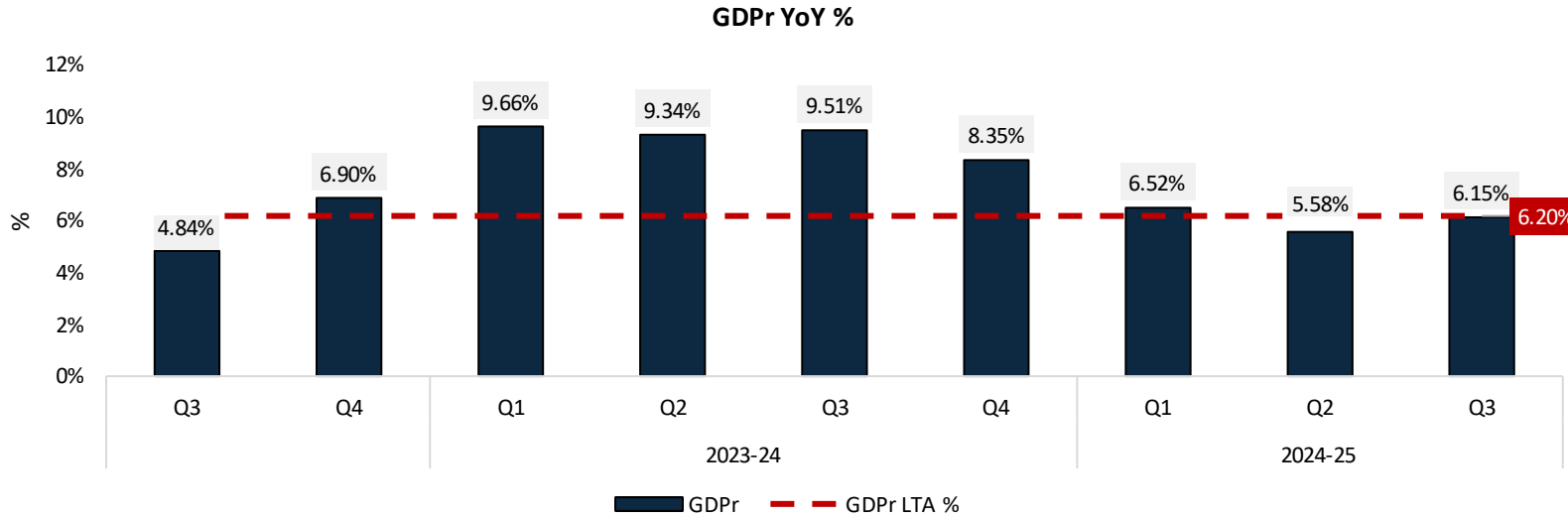
Together, we're not just a team; we're partners in your financial journey. We bring experience, attention to detail, and a touch of creative flair to everything we do. Whether it's operations, research, or strategy, rest assured—we've got your back. After all, when we win, you win. And we're in it for the long run.

Macro-Economic Outlook





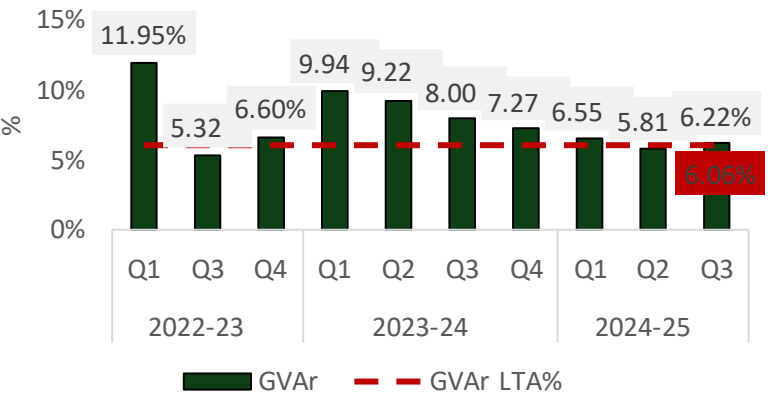
1. GDP (Gross Domestic Product)



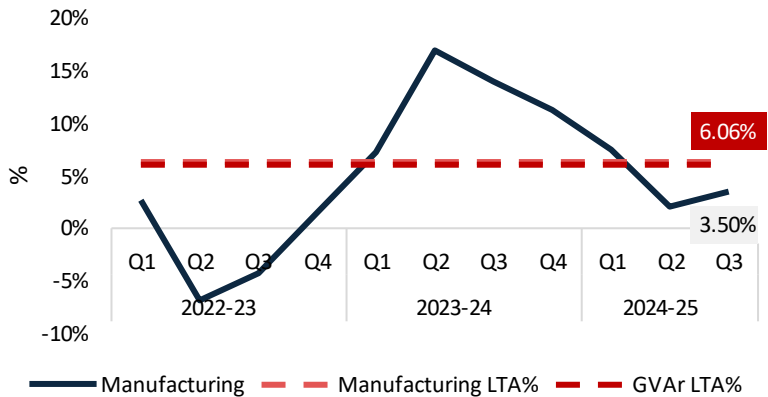


GVA (Gross Value Added)

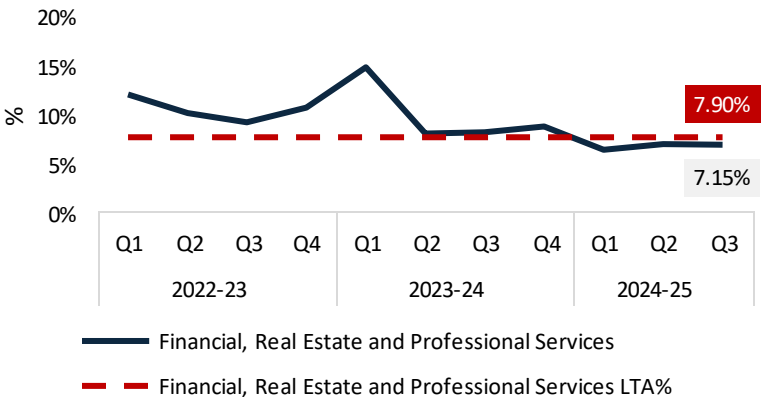
GVAr YoY%



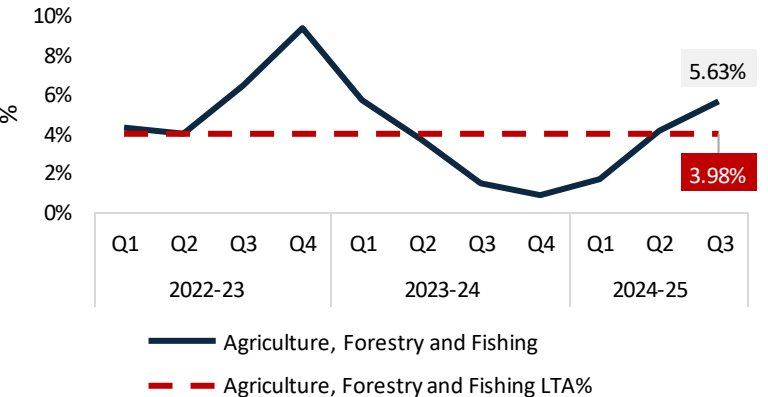
Manufacturing YoY%



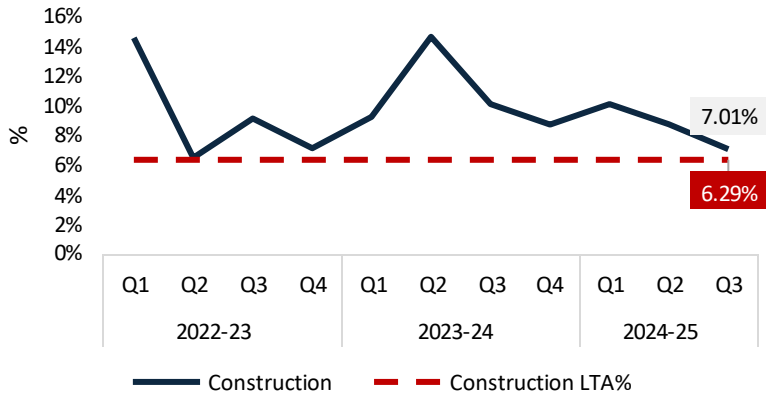
Finance, Real Estate, Services



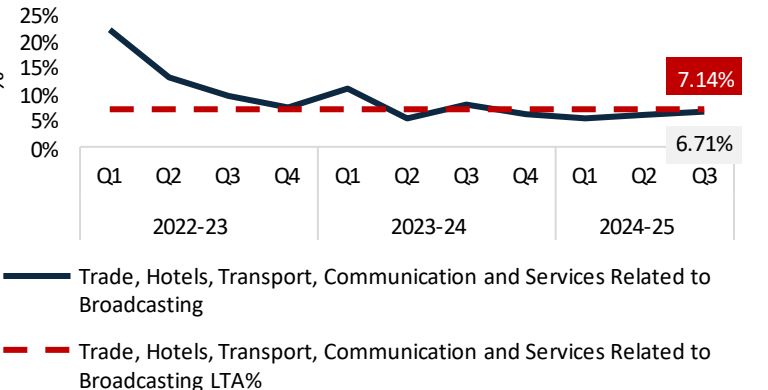
Agriculture



Construction



Trade, Hotels, Transport, Communication and Services Related to Broadcasting





Gradual Pickup in Growth Momentum but Private Sector in Slow Lane

- **India's economic growth engine showed some spark in the December quarter to recover from a low in the September quarter.** Yet, the **6.2% GDP (Gross Domestic Product) growth reported was the slowest since Q4FY23, barring one quarter — the previous one (Q2), when it recorded 5.6% (revised estimate).** The **third quarter's growth rate, supported by increased government spending post elections and consumption amid festive demand, was still far from the 9.5% (revised estimate) recorded in the corresponding quarter of the previous fiscal.** The CSO now expects growth to come in at 6.5% for FY 2025. While this sounds reasonable, it still implies that GDP growth ought to accelerate to over 7.6% during the current quarter. But more importantly, the 6.5% growth itself is slower than the average growth in the last decade (which was closer to 7%). Further analysis implies a sharp jump in private final consumption expenditure to 9.9% in Q4 from 6.9% currently, followed by a modest rise in gross fixed capital formation.
- Meanwhile, **Gross Value Added (GVA), which measures the total value of goods and services produced in an economy, also grew 6.2% in Q3. Tepid growth in Industrial Sectors (4.5% YoY in Q3 FY 2025 vs 11.8% YoY in Q3 FY 2024) of manufacturing, mining, and electricity impacted overall GDP growth in Q3, despite high growth recorded by agriculture (5.6% YoY in Q3 FY 2025 vs 1.5% YoY in Q3 FY 2024).**

	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	FY2020-25 CAGR (%)
Real GVA	6.2	5.8	3.9	(4.1)	9.4	7.2	8.6	6.4	5.8	5.4
Agriculture and allied	6.6	2.1	6.2	4.0	4.6	6.3	2.7	4.6	4.1	4.4
Industry	5.9	5.3	(1.4)	(0.4)	12.2	2.5	10.8	5.6	5.1	6.0
Mining	(5.6)	(0.8)	(3.0)	(8.2)	6.3	3.4	3.2	2.8	2.9	1.3
Manufacturing	7.5	5.4	(3.0)	3.1	10.0	(1.7)	12.3	4.3	3.8	5.5
Electricity	10.6	7.9	2.3	(4.2)	10.3	10.8	8.6	6.0	6.2	6.2
Construction	5.2	6.5	1.6	(4.6)	19.9	9.1	10.4	8.6	7.9	8.4
Services	6.3	7.2	6.4	(8.4)	9.2	10.3	9.0	7.3	6.6	5.2
Trade, hotel, transport, communication	10.3	7.2	6.0	(19.9)	15.2	12.3	7.5	6.4	5.5	3.4
Financial, real estate, professional services	1.8	7.0	6.8	1.9	5.7	10.8	10.3	7.2	6.6	7.1
Public admin, defence, and others	8.3	7.5	6.6	(7.6)	7.5	6.7	8.8	8.8	8.4	4.7
Real GDP	6.8	6.5	3.9	(5.8)	9.7	7.6	9.2	6.5	6.0	5.3

Outlook



Tailwinds:

- **The rural economy continues to show resilience, while urban consumption remains sluggish, with a recovery expected around Q2 FY 2025-26. However, global tariff movements will be a key determinant, making it a wait-and-watch scenario for now.** As per estimates released by the government agencies, the **real GDP growth for FY 2025 and FY 2026 is estimated to be ~6.5% for both years.**
- **Consumption boosting measures include – (i) a good rabi crop harvest**, and this should help sustain the agricultural growth and consequently rural consumption. Further, with **(ii) inflation expected to drop further in FY26**, it should provide a boost to real wage growth and hence push consumption demand. The **(iii) Union Budget has provided a boost to consumption by reducing the tax burden.** However, this may fail to have a significant impact as only ~2% of India's population pay taxes. **(iv) Easing of monetary policy** has started and we expect another 50-75 bps drop in the repo rate in FY 2026. This should be reflected in the EBLR linked loans and may provide some support to consumption and growth.

Headwinds:

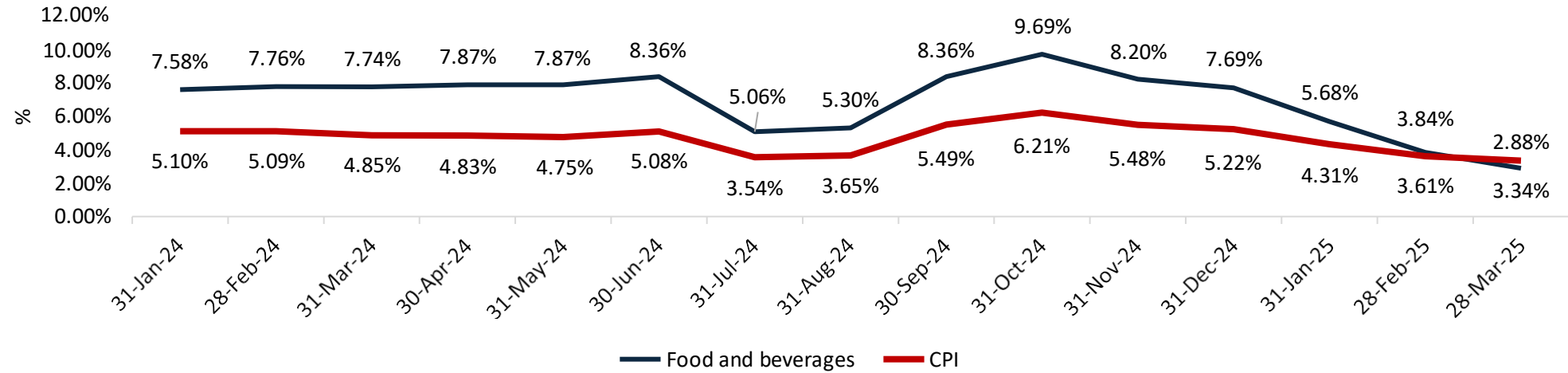
- The recovery in the **Private Consumption growth was due to festival spending, majorly led by rural economy on the back of good kharif harvest.** As indicated by Nielsen IQ survey, **FMCG volume growth was robust at 9.9% for rural sector while it was at 5.0% for urban sector in Q3FY25. Government spending grew by 8.3% from 3.8%.** However, the worry comes from **Gross Fixed Capital Formation (GFCF) or the investment demand that grew by 5.7% YoY in Q3FY25 but contracted by 2.5% on a QoQ basis, marginally down from 5.8% YoY in Q2 and has been in the sub-6% range in the last four quarters. We expect Centre and State capex to pick up in FY26, but the worry on Private Sector Capex may continue due to lack of clarity on the trade front.** The **Private Sector's intended capital expenditure is likely to contract by a quarter to ₹4.9 lakh crore in FY26, as compared with ₹66.6 lakh crore in FY25**, data from the inaugural 'Forward-Looking Survey on Private Sector Capex Investment Intentions' released by the National Statistics Office (NSO) show. While the intended capex for FY26 is higher than the actual spending done in FY24 at ₹4.2 lakh crore, it is lower than ₹5.7 Lakh crore spent in FY23. Data from Centre for Monitoring Indian Economy (CMIE) show **private-sector capex fell nearly 9% on-year to ₹26.8 lakh crore in FY25, the lowest in three years.** To be sure, it is for the second consecutive year that private capex fell on a year-on-year basis, implying the post-Covid pick-up was short-lived. The finance ministry's March bulletin has highlighted that the **uncertainties stemming from global developments constitute a key risk for the growth outlook for FY26.** More than trade, the report notes, **the perception of prolonged uncertainty may cause the private sector to put its capital formation plans on hold.**
- **Further, the outlook remains heavily clouded with downside risks amid global trade uncertainties surrounding merchandise exports and trade balances, due to the impending tariffs, which would in turn affect corporate margins as well as current account balances, and this subsequently is likely to put pressure on India's capital account, especially in times where smart money (FPI) is extremely volatile and investment capital (FDI) is drying up.**



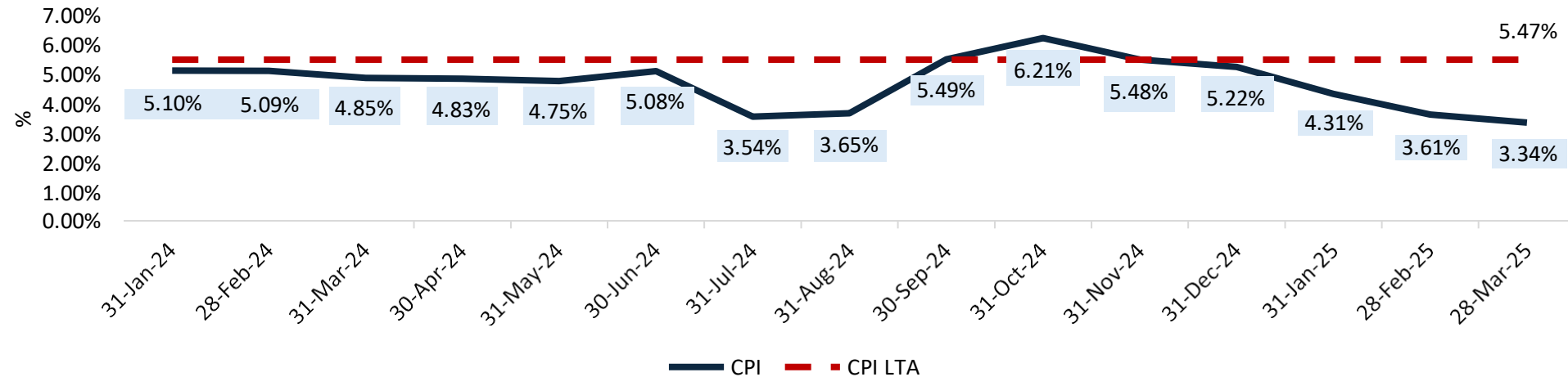
2. Inflation



Headline CPI and Food & Beverages Inflation



CPI YoY%





Inflation Well Under Control, Tariff Risks Persist

Commentary:

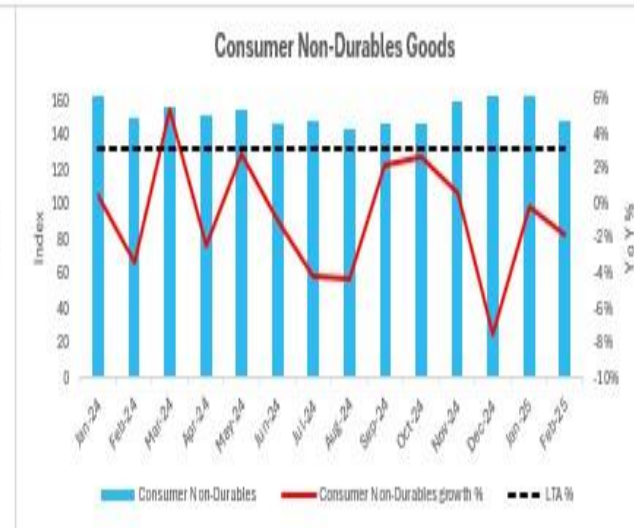
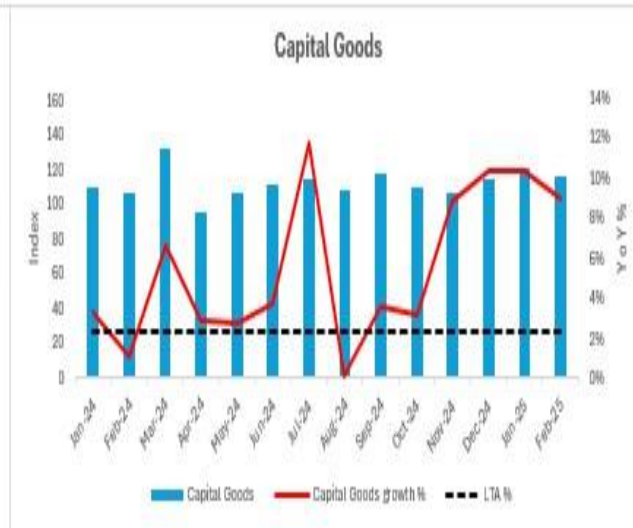
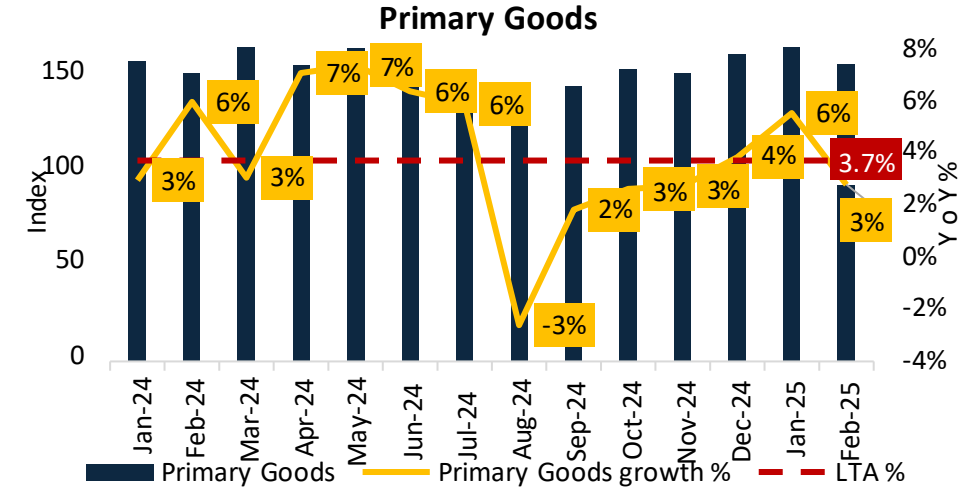
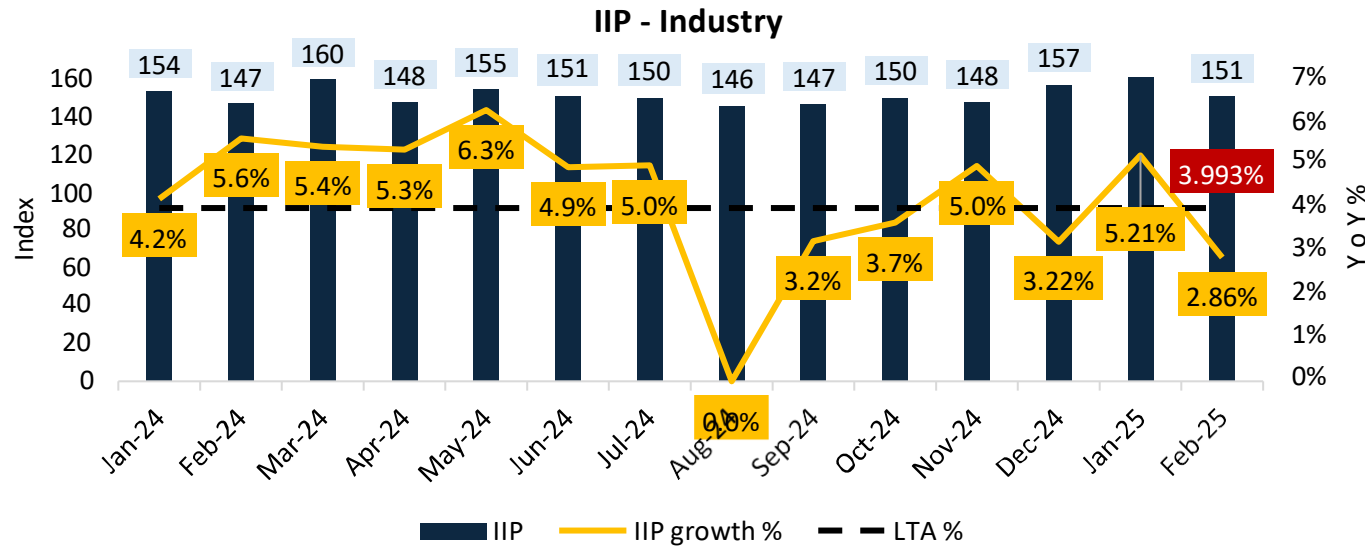
- **India's CPI inflation eased to 3.34% YoY in March 2025**, down 27 bps from February, marking the lowest level since August 2019. Headline CPI remains well within the RBI's 4% target range in the near term.
- The decline was **largely driven by a sharp fall in food inflation to 2.69% (from 3.75%), the lowest since November 2021**. Disinflation was seen across vegetables, eggs, pulses, cereals, meat & fish, and milk products, aided by better seasonal supply and robust logistics. Among specific food items, ginger (-38.11%), tomato (-34.96%), cauliflower (-25.99%), jeera (-25.86%), and garlic (-25.22%) posted the deepest deflation, indicating a strong supply-led correction.
- On the other hand, an increase was witnessed for - coconut oil (+56.81%), coconut (+42.05%), grapes (+25.55%).
- **Rural and urban food inflation stood at 2.82% and 2.48%, respectively**, reflecting broad-based softening in food prices across segments.
- Recent **drops in crude and edible oil prices, driven by tariff-related global demand concerns**, eased inflation pressures.
- **Precious metals such as gold (+34.09%) and silver (+31.57%) topped the inflation chart, reflecting increased demand as investors sought safe-haven assets amid rising trade tensions and tariff-related uncertainties.**
- Fuel & light inflation, which accounts for ~7% of total inflation, reversed to 1.48% from -1.33%, while housing inflation edged up to 3.03% (vs 2.91%), education to 3.98% (vs 3.83%), health to 4.26% (vs 4.12%), and transport & communication to 3.30% (vs 2.93%), indicating modest increases in core and service categories.
- Urban headline inflation rose marginally to 3.43%, while Rural inflation dropped sharply to 3.25%, reflecting a divergence in pricing dynamics across geographies.

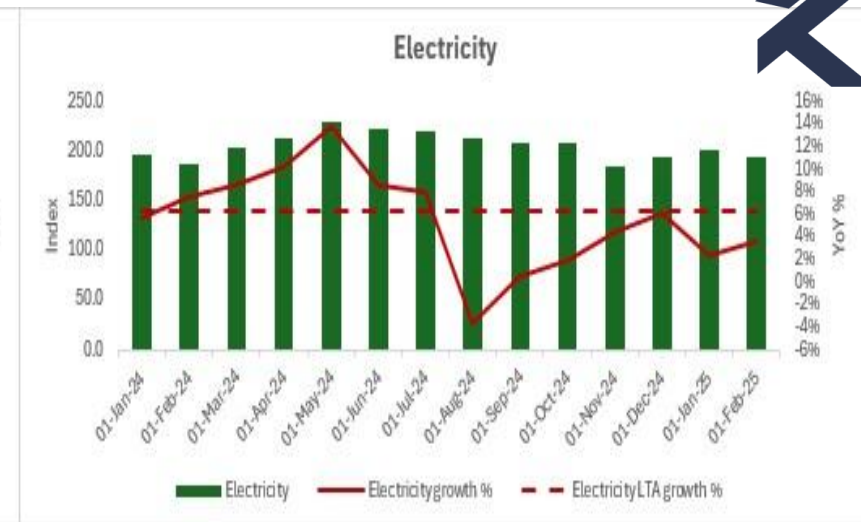
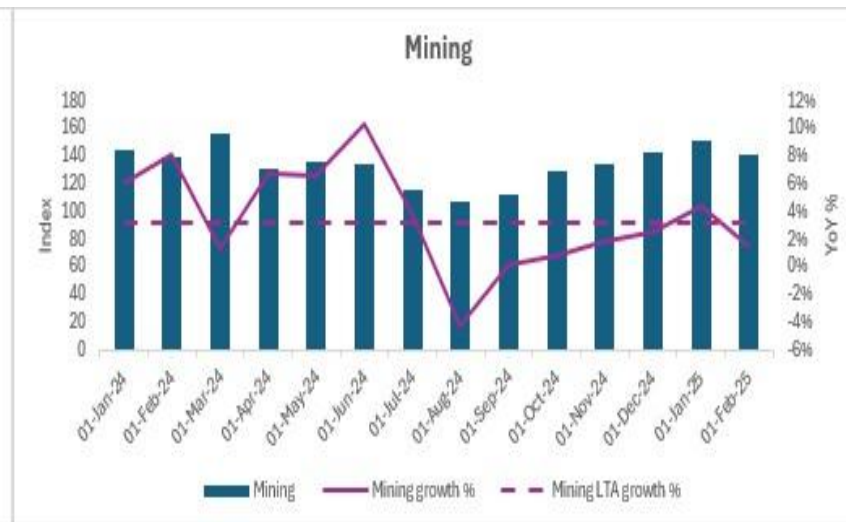
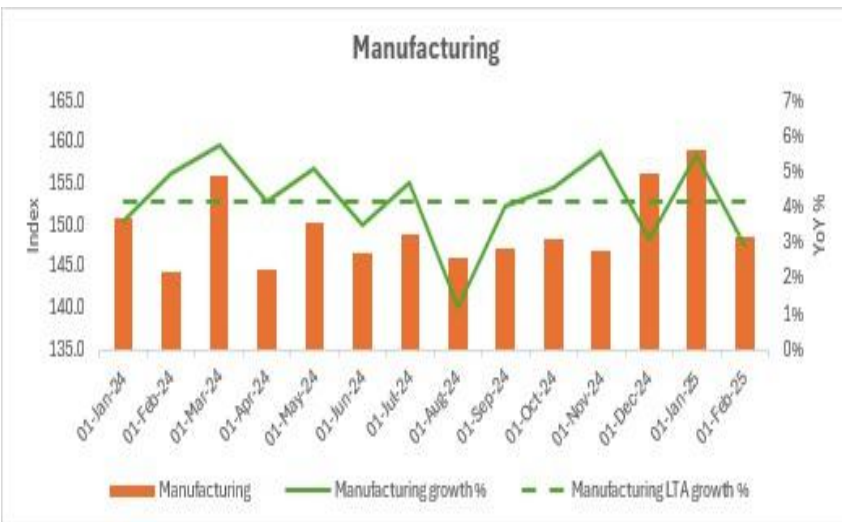
Outlook:

- **Headline CPI is likely to remain within 3.5–3.8% in FY26, supported by food-led disinflation and a high base effect. However, vegetable price reversal in April and warmer summer conditions could pose near-term volatility risks.**
- **A normal monsoon forecast by IMD and Skymet bodes well for agricultural output, but global tariff concerns and commodity market swings remain key uncertainties that may affect the imported inflation trajectory.**
- **Crude oil prices are expected to stay soft in the near term amid global slowdown risks and trade policy uncertainties.**
- **With inflation easing and growth still moderate, a 50-75bps rate cut in the current fiscal looks likely, though a sharper easing cycle cannot be ruled out if inflation surprises on the downside or global demand weakens faster than expected.**
- **We expect the RBI to keep banking system liquidity in surplus, at least over the next few months, to ensure a smooth policy transmission and avoid any credit squeeze in the event of any global trade-led disruption.**



3. IIP (Index of Industrial Production)





Industrial Slows – Cyclical Softness or Structural Shift

India's Index of Industrial Production (IIP) rose 2.9% YoY in February 2025, the slowest pace in six months and below the consensus expectation of 4%. The deceleration was primarily driven by a broad-based slowdown across manufacturing, mining, and electricity sectors, impacted partly by an unfavourable base effect and partly by muted output momentum.

Sectoral-based IIP

- **Manufacturing output grew by 2.9% year-on-year, marking a slowdown despite positive growth in 14 out of 23 industry groups. The moderation was primarily due to sluggish performance across several large-weighted segments like – Chemicals, Pharma, Metals, Food Products.**
- Mining sector growth slowed sharply to 1.6% , signaling moderation in commodity extraction.
- Electricity output rose 3.6% YoY, indicating higher power demand but at a reduced growth rate.

Usage-based IIP

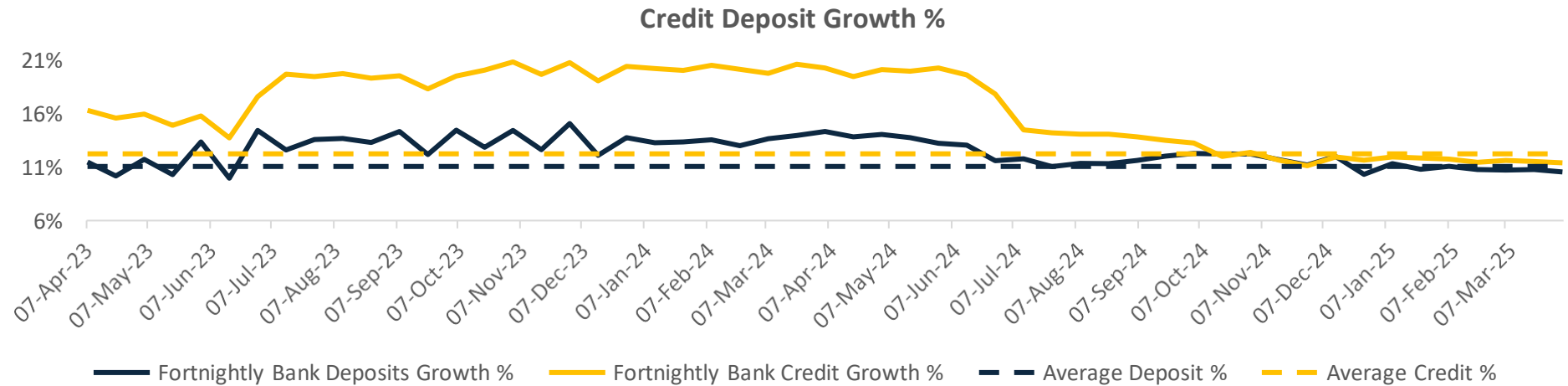
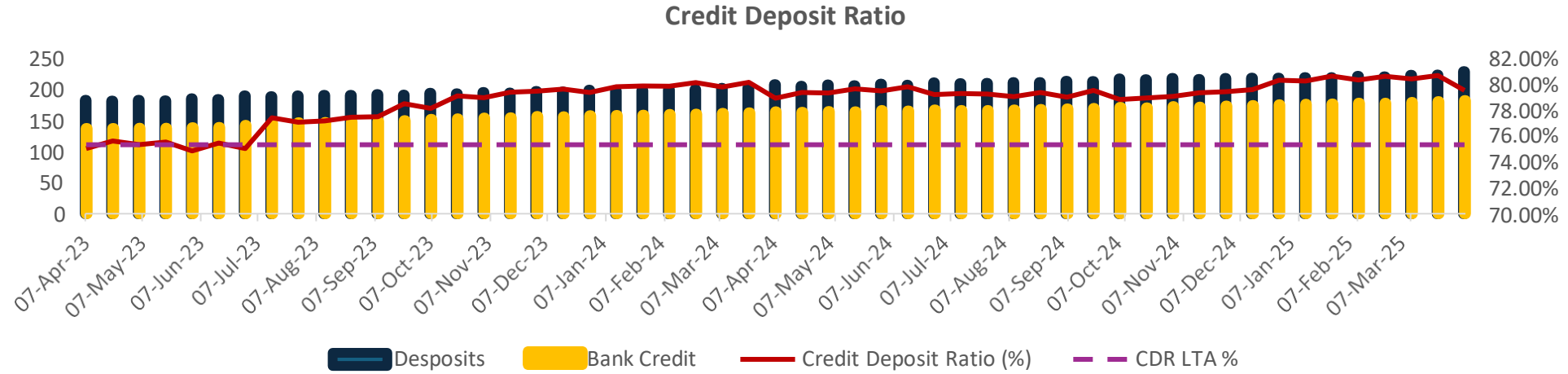
- Capital Goods stood out with robust growth of +9% YoY, indicating resilience in capex-oriented demand in the new quarter.
- Infrastructure/Construction Goods also grew a healthy 6.4%, supported by continued infra push.
- Primary Goods and Intermediate Goods grew at 2.8% and 1.4%, respectively, reflecting broader moderation.
- Consumer Durables expanded +3.9%, while Consumer Non-Durables remained a drag at -1.8%, though contraction eased from -3.5% YoY in Feb 2024.
- **A point of concern is that all use-based segments witnessed slower growth sequentially, marking the first such instance in five months, reinforcing the volatility and fragility in industrial momentum.**

Outlook

- **The deceleration can be partially attributed to a high base effect, as IIP had risen from 4.21% to 5.60% between January and February of the previous year.**
- **However, consumption-linked segments like consumer non-durables continue to show lingering stress, indicating slow demand recovery and price sensitivity in essential items.**
- **The slowdown in mining and power also suggests normalizing commodity demand, which, while easing cost pressures, weighs on industrial volume growth.**
- **External uncertainties remain a key risk. The uncertain U.S. tariff policy and ongoing geopolitical realignments may trigger inventory front-loading and trade volatility in Q1 FY26.**



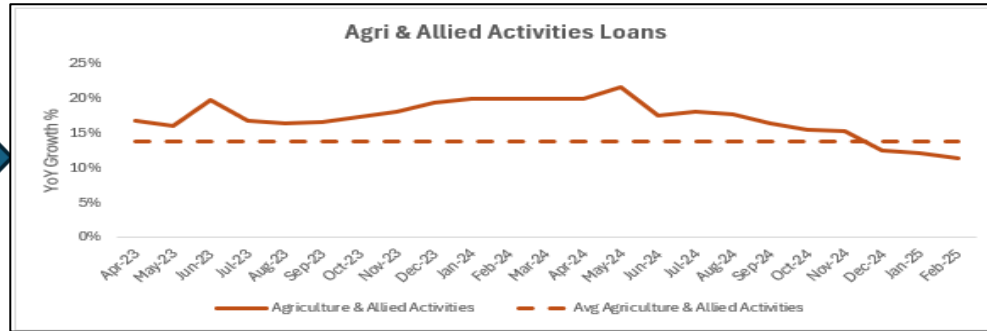
4. Capex



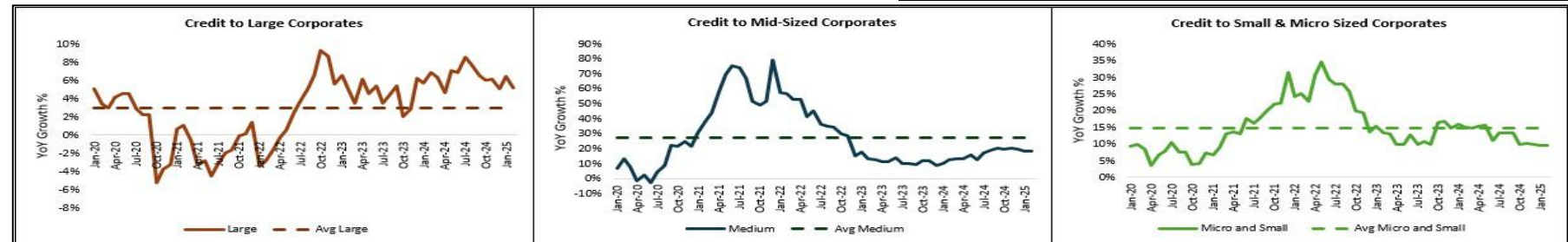
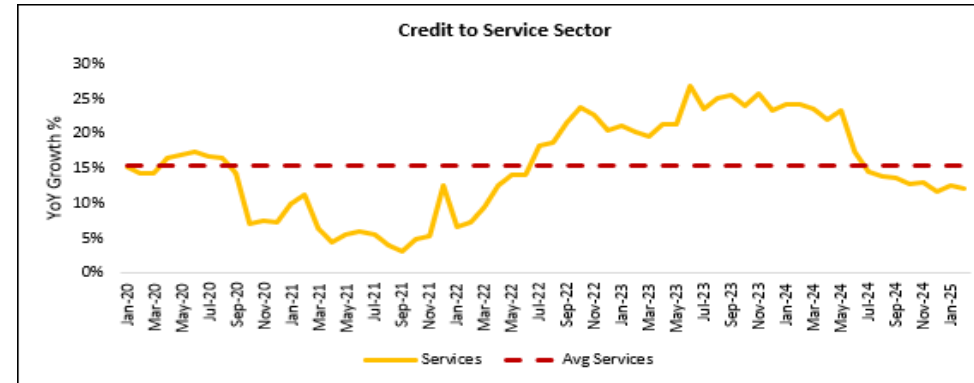
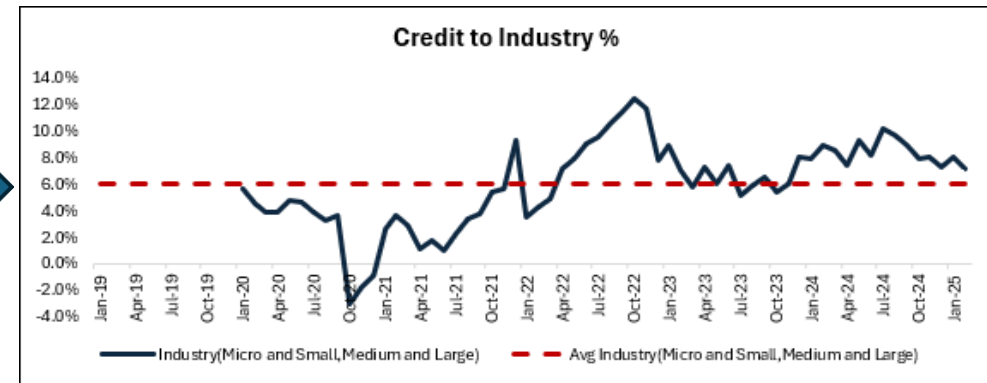
Credit to Consumer



Credit to Agri



Credit to Industry





Slow Growth Momentum with Some Tailwinds Appearing

Credit Growth Moderation:

- Bank credit growth slowed to 12% year-on-year (Y-o-Y) in FY25, down from around 15% in March 2023.
- Non-food credit grew at 12% in FY25 compared to 16.3% a year ago.

Sectoral Trends:

- State-owned banks remained the major drivers of incremental credit, while private banks' share declined.
- Agricultural credit stayed strong at 11.4% growth in February 2025, though down from 20% in February 2024.
- Services sector and Personal loans continued to be key contributors to non-food credit growth, albeit at slower rates of 13% and 14%, respectively.
- MSME credit remained at an uptick at 12.3% growth in February 2025, although still below its long term average growth rate. The sector is expected to receive a boost following:
 - Increased credit guarantee cover from ₹5 crore to ₹10 crore in the FY26 Union Budget.
 - Changes in classification and priority sector lending norms.
 - Credit growth to large industries remained modest during H2FY25.

NBFCs and NBFIs:

- Credit to NBFCs slowed sharply to 13.3% in February 2025 from 18.6% a year ago, due to earlier risk weight hikes.
- From April 1, 2025, the RBI rolled back the increased risk weights for NBFC lending, which is in turn expected to revive credit flow to NBFCs.
- Bank exposure to NBFCs had earlier risen at ~21% CAGR during FY23-24 but slowed to ~6% in FY24-25.

Outlook for FY26:

- **Credit growth is expected to improve slightly to 12-13% in FY26, supported by:**
 - **Regulatory rollbacks (lower risk weights and deferred liquidity norms).**
 - **Boost to consumption from tax cuts.**
 - **Softer interest rates.**
- **Corporate Credit: Corporate loans (41% of bank credit) are projected to grow by 9-10% in FY26, up from an estimated 8% in FY25. Lending to NBFCs remains a significant part of corporate credit (~18%).**
- **Deposit Growth: Deposits grew by 10.3% in FY25. Deposit growth is a critical factor to monitor for sustaining higher credit growth.**
- **However, CDR Ratio continues to be elevated at 79.63% as compared to the long term average of 75.39%.**



LCR Regulatory Relief

The Liquidity Coverage Ratio (LCR) tightening has been deferred by one year, freeing up more funds for lending. Without this deferment, banks' LCRs could have dropped by 10-30 percentage points.

Background:

In July 2024, RBI had proposed very strict draft rules to improve banks' liquidity strength after tech-driven withdrawal risks (like SVB's collapse). These rules were tough and banks were worried – they would have had to set aside much more cash, hurting profits and slowing loan growth.

Main Problems with the July 2024 Draft: The rules were too harsh and could reduce credit growth, tying up ₹2–4 trillion in low-yield assets, due to:

- Higher run-off rates used for LCR calculation, for digital deposits at 5% – assuming more people could pull money out fast.
- Haircuts on government bonds – even safe assets would be valued lower.
- Pledged fixed deposits counted as possible cash outflows.
- Immediate compliance deadline of April 2025.

RBI's Final Rules (April 2025):

- Run-off for digital deposits reduced to +2.5% instead of +5%.
- "Stable" digitally accessible deposits will now have a 7.5% run-off instead of 10%.
- "Less stable" deposits will have 12.5% instead of 15%.
- New concession for wholesale deposits - Non-financial companies' unsecured deposits now assumed to have only a 40% outflow (not 100%).
- Haircuts on G-secs and treatment of pledged deposits remain.
- Implementation deadline extended by one full year – now from April 1, 2026 instead of April 2025.

Impact on Banks:

- System-wide Liquidity Coverage Ratios (LCR) would rise by ~6% instead of falling.
- Every bank will meet the 100% LCR requirement.
- Extra liquidity (~₹2.7-3 lakh crore) would now be freed up for lending.
- Loan growth could improve by 1–2%.
- Net Interest Margins (NIMs) could expand slightly by 1–18 basis points (0.01-0.18%).

Conclusion:

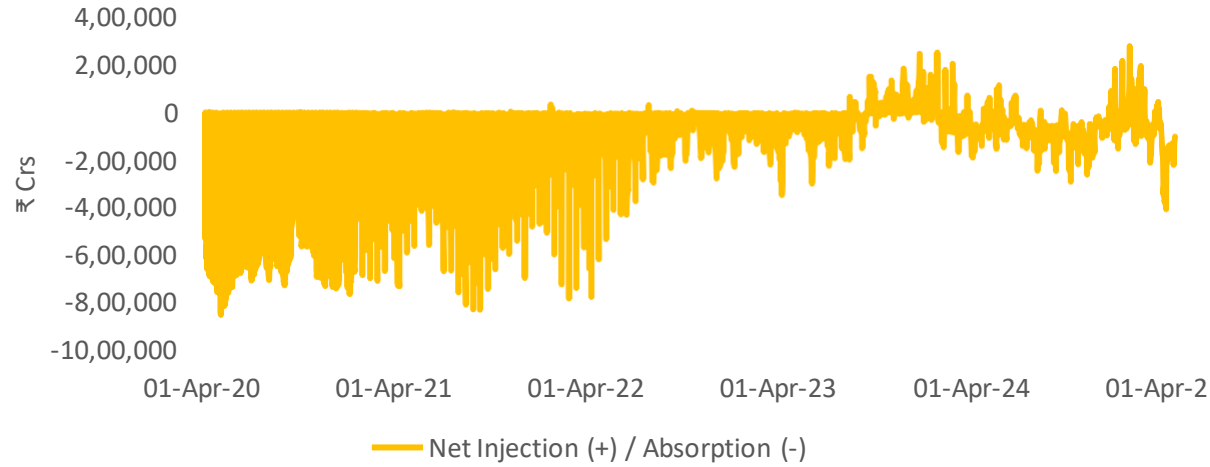
RBI struck a smart balance: strengthening liquidity buffers without hurting credit growth. It helped banks avoid unnecessary tightening, allowing them to keep lending while staying safer against risks like a sudden digital bank run.



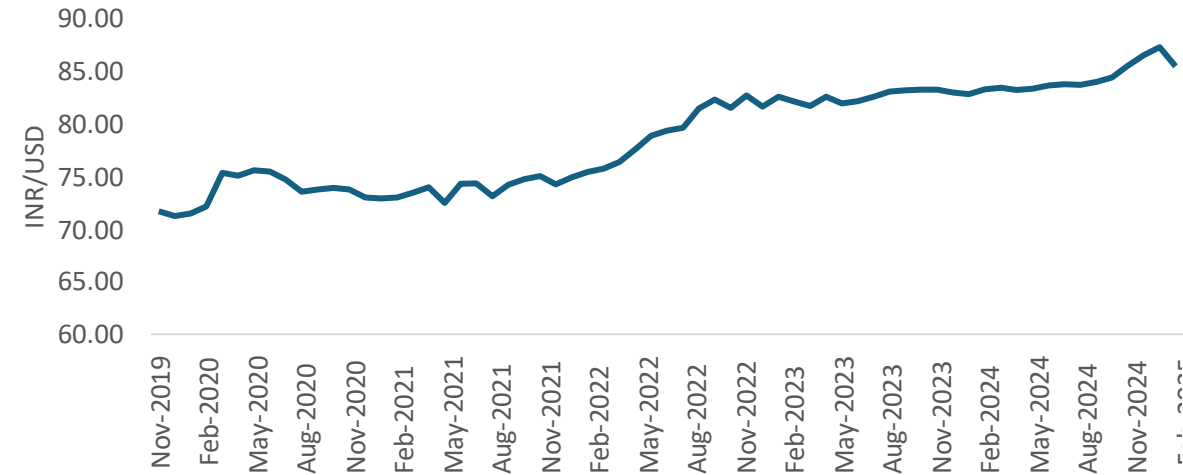
5. Liquidity



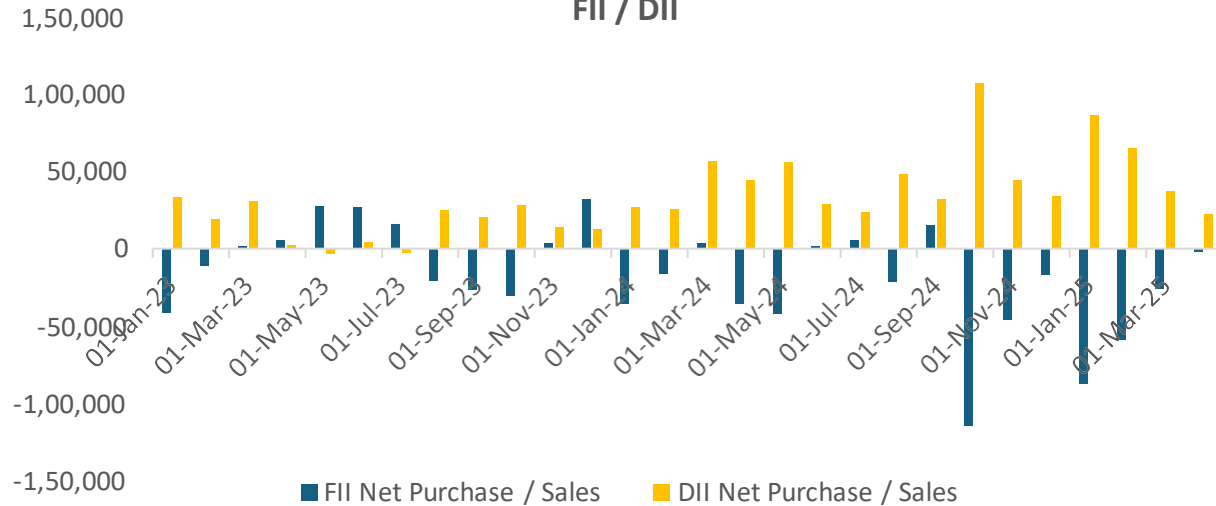
Net Injection(+)/Absorption(-) of Excess Liquidity



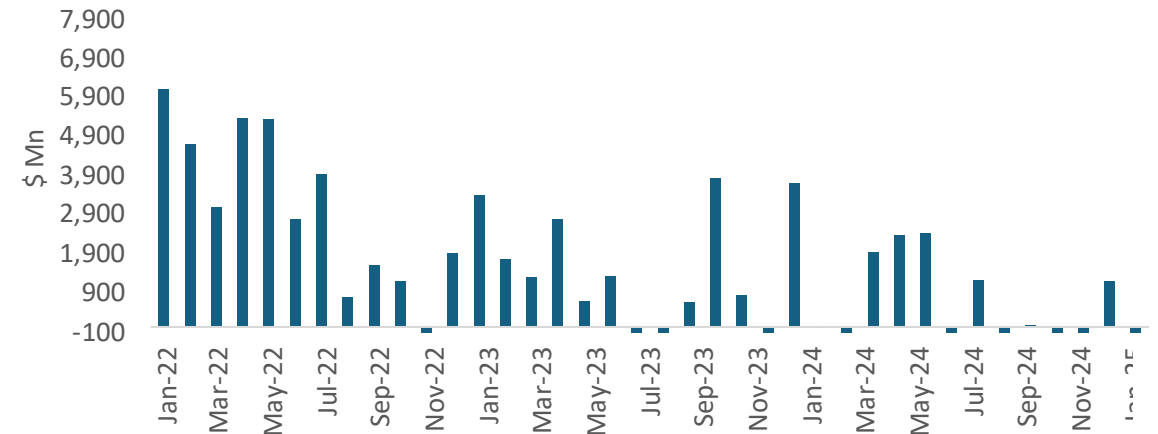
INR/USD



FII / DII

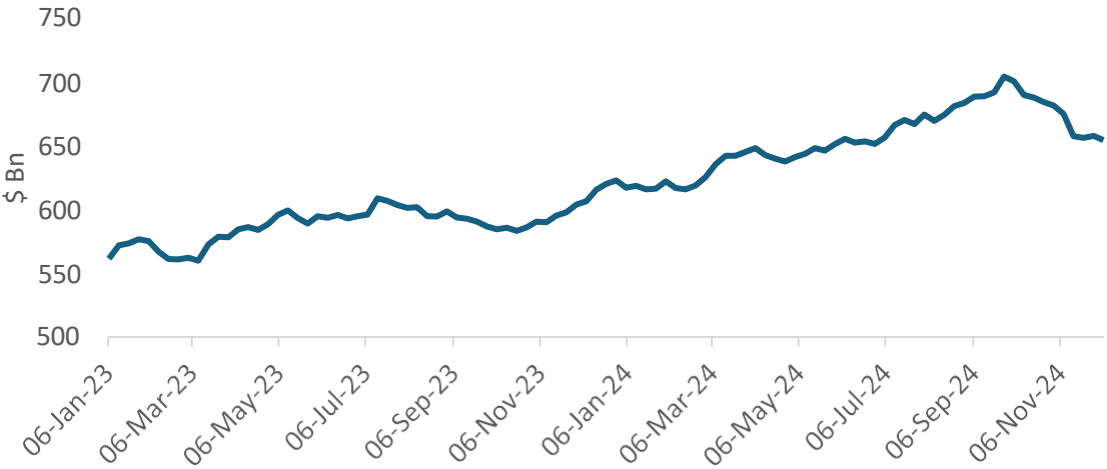


Net FDI

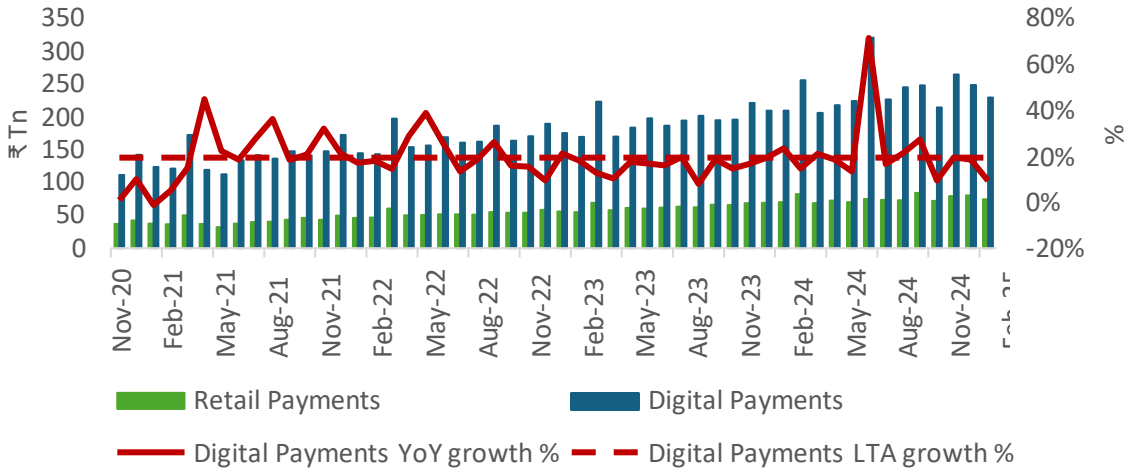




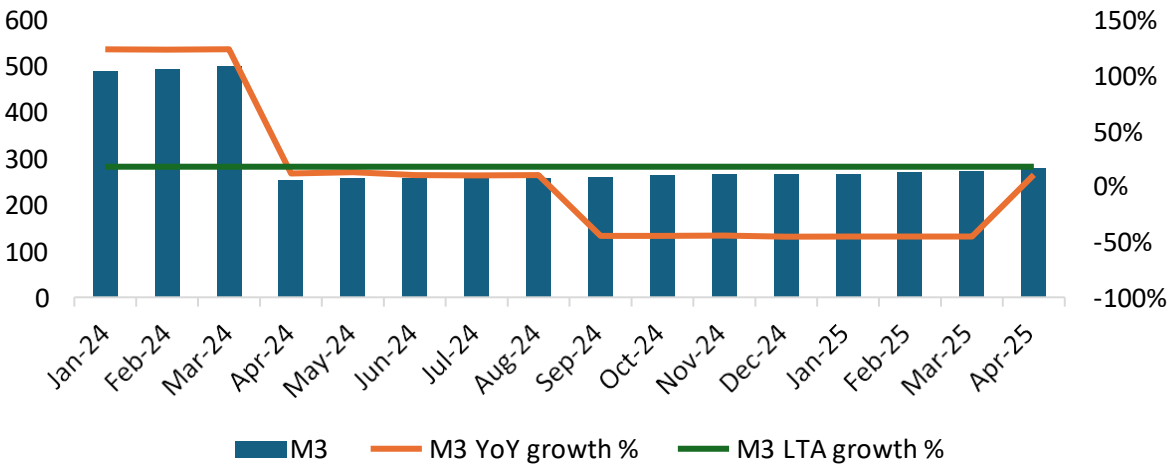
Foreign Exchange Reserves (USD Bn)



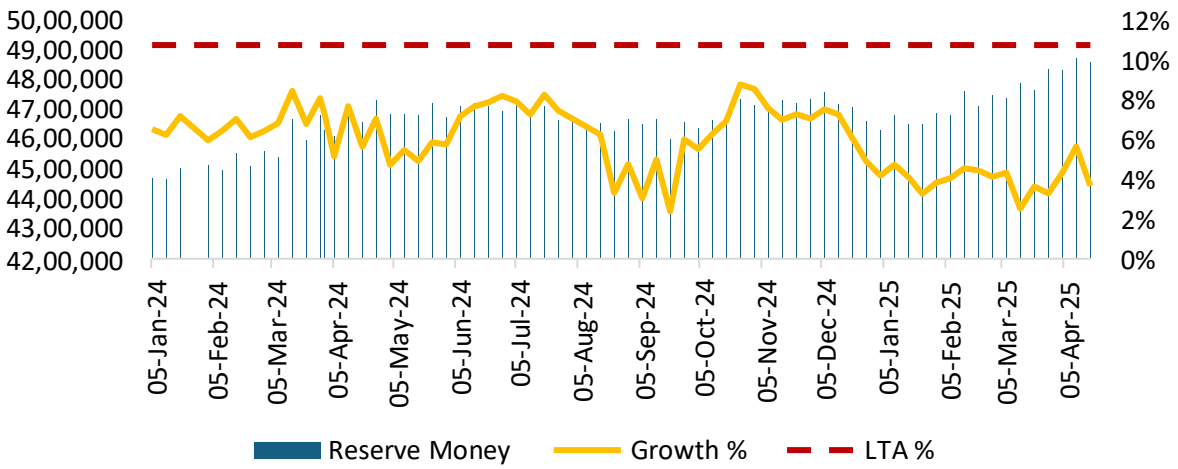
Payments



Money Supply



Reserve Money (M0)



Comfortable Liquidity Position



Commentary

April 2025 marked a pivotal month for India's banking system liquidity. The reserve bank of India (RBI) executed aggressive liquidity infusions via open market operations (OMO) and FX swaps, leading to a significant surplus in the banking system. In parallel, relaxed final guidelines on the liquidity coverage ratio (LCR) were introduced, freeing up substantial capital and improving credit growth prospects. Despite these positive developments, the RBI emphasized the need for better transmission and market depth. The overall stance remains accommodative, balancing liquidity abundance with vigilance over asymmetric market behaviors.

Liquidity infusion measures

- RBI infused approximately **₹1.2 trillion** in April through **OMO bond purchases and FX swaps**.
- Announced a further **₹1.25 trillion infusion planned** for May 2025, in four tranches (May 6, 9, 15, 19).
- Conducted **long-term 43-day variable rate repo (VRR) auctions** to inject an additional **₹1.5 trillion**.
- **Surplus liquidity as of April 28 stood at about ₹1 trillion.**

Liquidity coverage ratio (LCR) relaxation

- The **additional run-off factor for digitally linked retail deposits was reduced** from **5% (draft)** to **2.5% (final)**. Expected to **release ₹2.7—3 trillion into the banking system**, increasing **credit growth potential by 1.4—1.6%**. Banks' **LCR compliance was around 115% – 130%**, offering immediate margin improvement potential.

Market response

- Government bond yields initially spiked but stabilized after market digestion of the LCR norms. **10-year g-sec yields** hovered between **6.32%-6.34%**, with sharp softening seen in 3-year and 5-year bonds. **Bond market bullishness was supported by ample liquidity and a dovish RBI stance.**

Asymmetric liquidity distribution

- Some banks held large surpluses under the standing deposit facility (SDF), while others faced shortfalls. The **Weighted Average Call Rate (WACR) spread over repo narrowed to 7 bps** in March (from 15 bps in December). RBI urged banks to enhance proactive participation in call money and repo markets to ensure smooth policy transmission.

Structural market observations

- **Secondary market liquidity** in government securities remains **concentrated in a few benchmarks**.
- **Non-resident holdings in G-Secs increased to 3.2% post-global bond index inclusion.**
- **New benchmark development:** RBI is working with FBIL to introduce the **secured overnight rupee rate (SORR)** to replace MIBOR benchmarks gradually.

RBI's policy stance and forward guidance

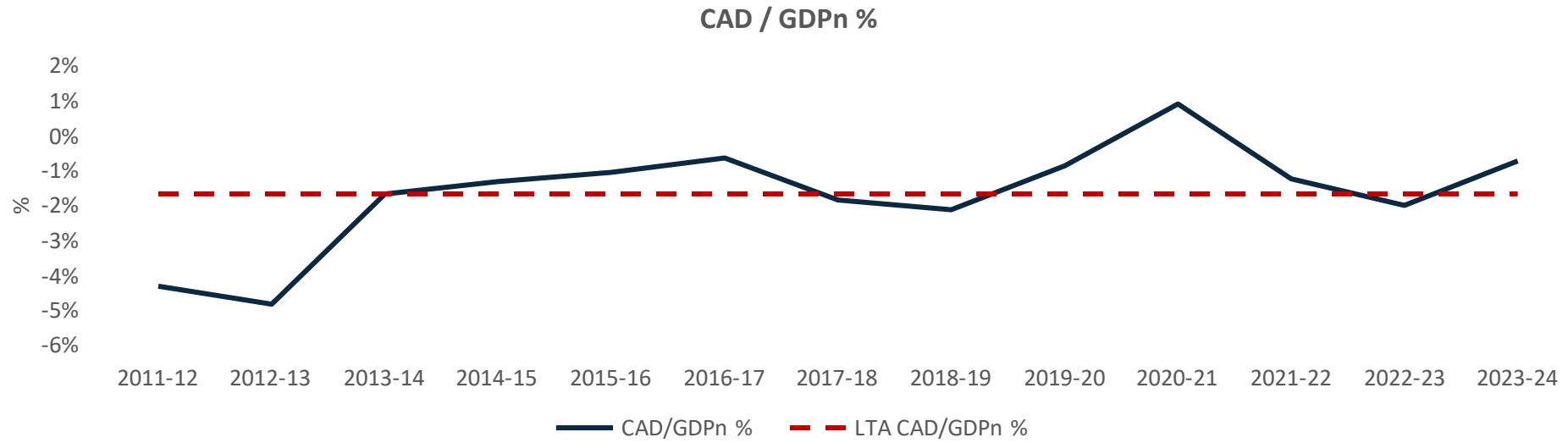
- RBI shifted monetary policy stance to **"accommodative"**, signaling willingness to cut rates further if needed.
- Focus on maintaining **sufficient liquidity** (~1% of NDTL) but flexible to adjust based on evolving needs.
- Committed to ensuring **proper monetary transmission** and **financial market robustness**.

Outlook:

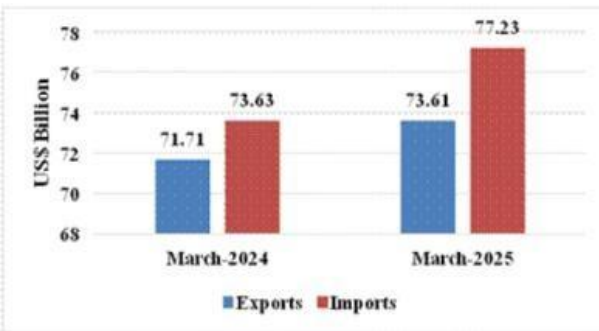
April 2025 showcased RBI's proactive efforts to create a surplus liquidity environment conducive for economic recovery. Relaxed regulatory requirements, aggressive liquidity infusion, and enhanced focus on monetary policy transmission are set to support growth, improve credit flow, and maintain financial stability. However, structural improvements in secondary markets and addressing liquidity asymmetries remain essential for sustainable progress.



6. Trade



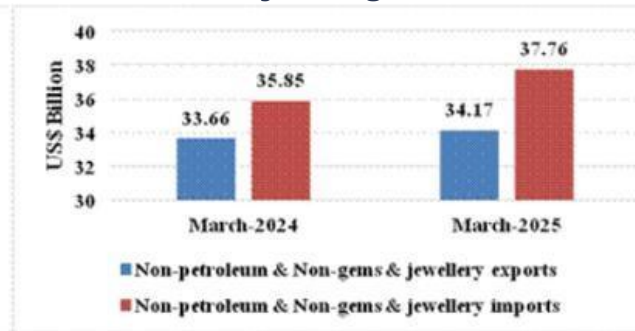
Total Trade during March-2025



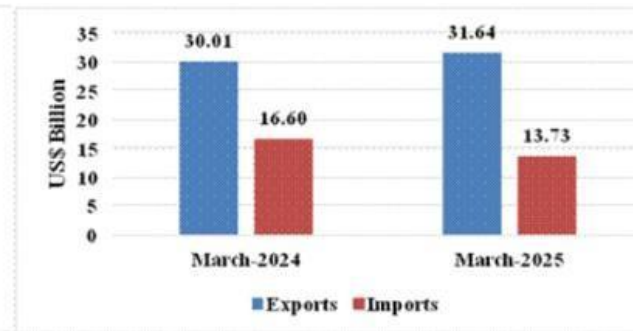
Merchandise Trade during March-2025



Trade excluding Petroleum and Gems & Jewellery during March-2025

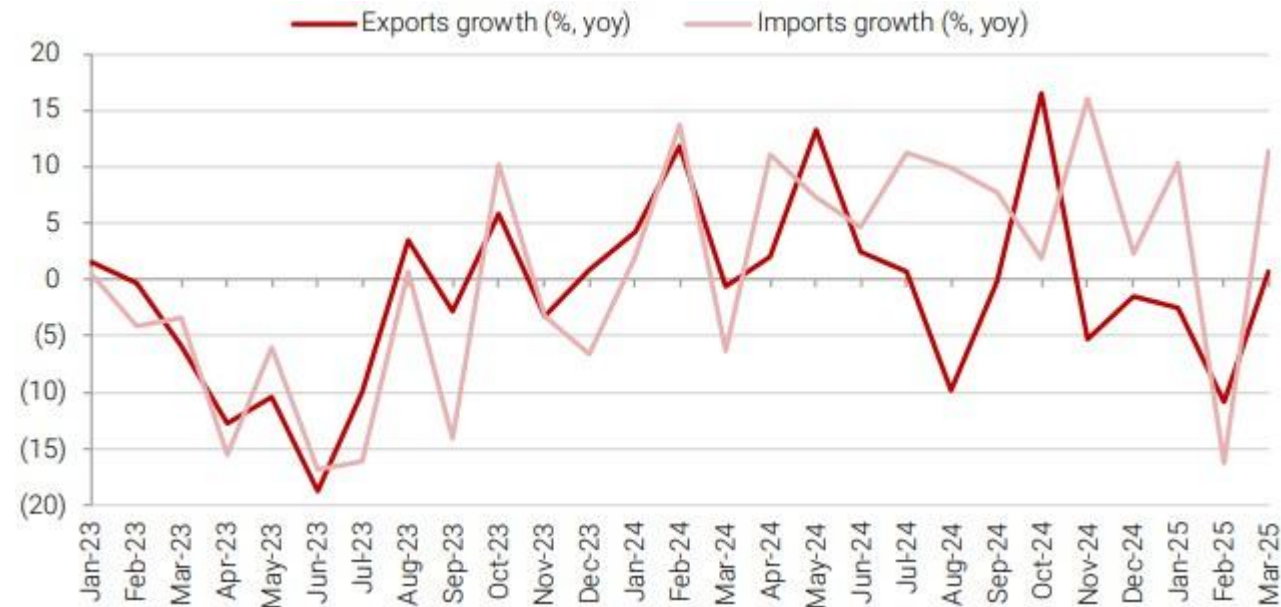


Services Trade during March-2025





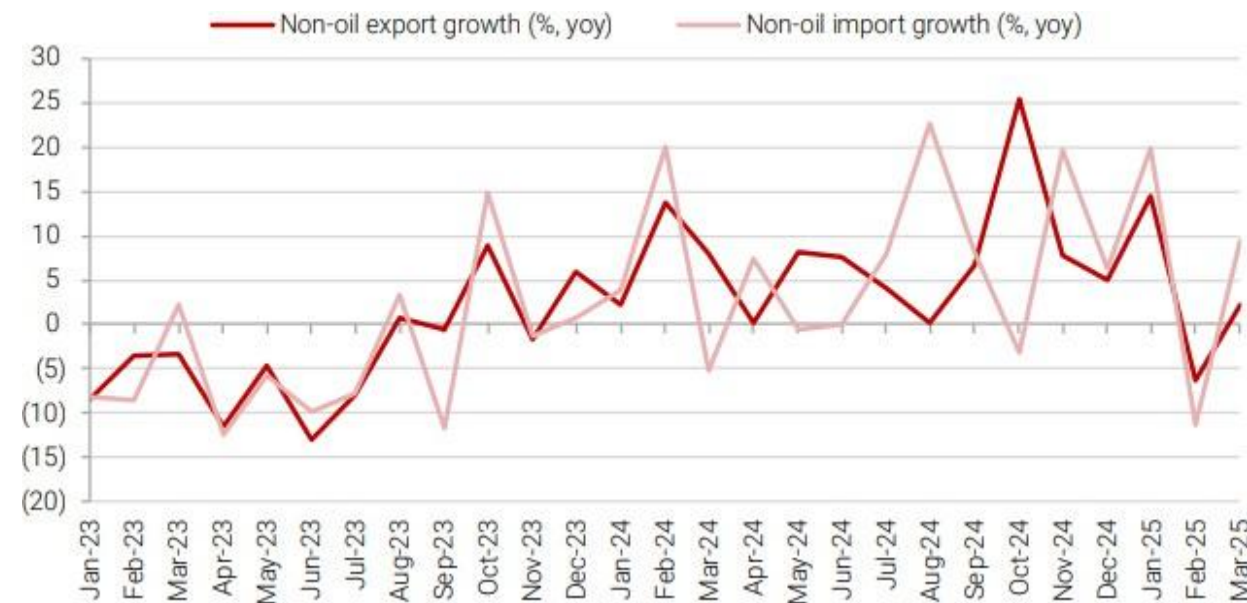
Trend in export growth and import growth (%)



Trend in services exports and imports (US\$ bn)



Trend in non-oil export growth and non-oil import growth (%)





India's Trade Snapshot — March 2025: Wait & Watch

Overall Trade Balance

- India's trade deficit **widened sharply** to USD 21.5 billion in March 2025, rising from USD 14.05 billion in February.
- **The widening was primarily led by higher oil imports (up 59.8% MoM) and gold imports (almost doubled MoM).**
- Despite the rise, **core deficit (excluding oil and gold) narrowed** to USD 3.7 billion from USD 6.9 billion a month earlier.
- **For FY25, merchandise deficit rose to a multi-year high of USD 282.8 billion, mainly on higher oil and gold imports.**

Merchandise Exports and Imports

- **Total exports rose by 0.7% YoY in March, rebounding from a 10.8% YoY fall in February.**
- Non-oil exports improved by 2.2% YoY, with electronics exports growing strongly by 39% YoY (20.4% MoM). Gems and Jewelry exports increased by 14.4% MoM. Agriculture exports like coffee, fruits, and vegetables posted healthy sequential gains.
- Imports surged by 24.6% MoM, led by oil and gold; however, core imports (excluding oil and gold) remained stable.
- Within core imports, machinery imports stayed steady at 15%, while electronics imports picked up to 18% YoY.

Services Trade

- Services exports in March were stable at USD 31.64 billion, with marginal growth (+0.05% MoM).
- Services imports fell by 5.3% MoM to USD 13.7 billion, supporting a **net services surplus of USD 17.9 billion.**
- Overall, services receipts for FY25 grew by 15.8% YoY, reaching USD 188.56 billion.

Oil and Gold Impact

- Oil imports rose sharply to USD 19.0 billion, and gold imports almost doubled to USD 4.5 billion amid higher global gold prices.
- **Gold imports hit a record high of USD 58 billion for FY25, emerging as a key factor influencing the trade balance.**

Trade Policy and Risks

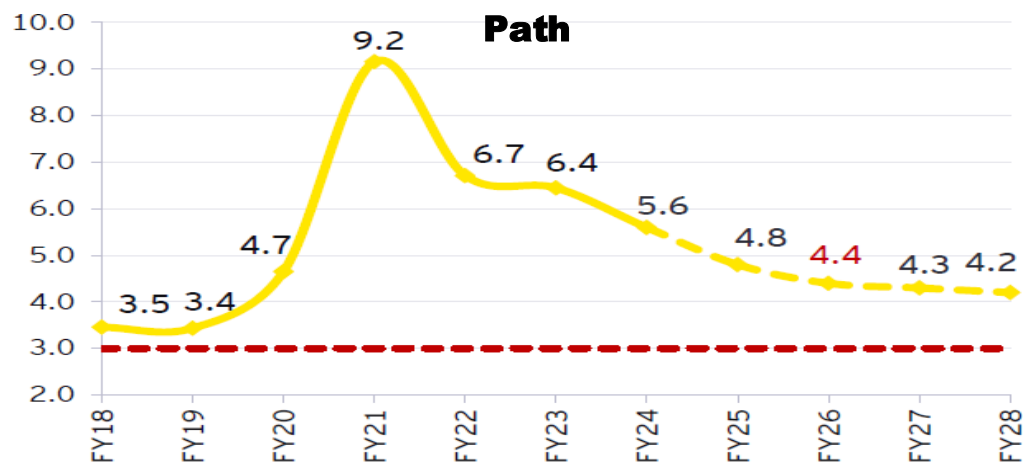
- **Global uncertainties, including US-China tariff tensions and evolving sectoral US tariffs, pose risks to India's exports.**
- **Electronics and pharmaceuticals face potential tariff risks, impacting India's export competitiveness. The rise in gems and jewelry exports in March 2025 was likely driven by inventory stocking ahead of the anticipated implementation of tariffs, and is likely to witness a downward shift in the coming month.**
- **Despite global headwinds, India's internal growth resilience is expected to support import demand in FY26.**
- **The RBI projects India's current account balance (per cent of GDP) at -1.0 per cent for both the financial year 2024-25 and 2025-26. The overall balance of payments is projected at US\$ 17.0 billion for 2024-25 and US\$ 24.1 billion for 2025-26.**



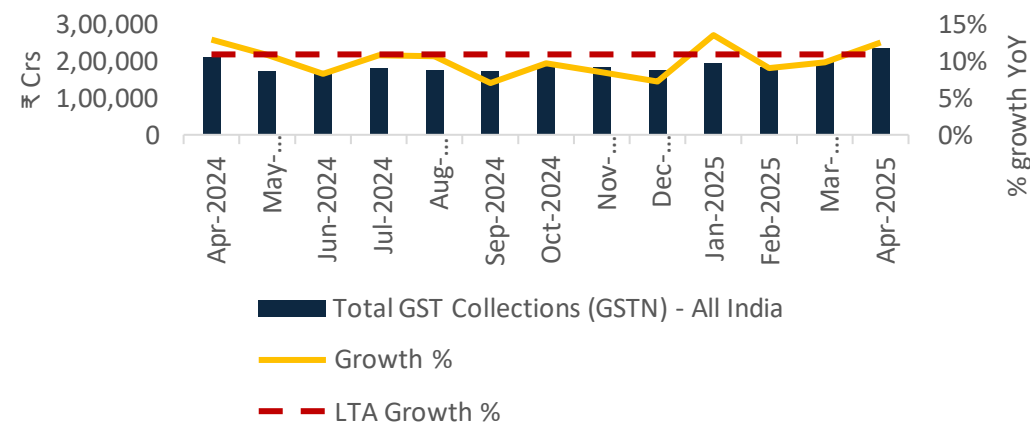
7. Fiscal Situation



GOI's Fiscal Debt / GDP – Glide



GST Collections



GOI's Fiscal Position

	FY23	FY24	YoY (%)	FY25RE	YoY (%)	FY26 BE	YoY (%)
Direct tax revenues	16.6	19.6	17.9	22.4	14.4	25.2	12.7
Indirect tax revenues	13.9	15.1	8.5	16.2	7.1	17.5	8.3
Gross Tax revenues	30.5	34.7	13.6	38.5	11.2	42.7	10.8
Net Tax revenues [A]	21.0	23.3	10.9	25.6	9.9	28.4	11.0
Non-tax revenues [B]	2.9	4.0	40.8	5.3	32.2	5.8	9.8
Disinvestmt & Others [C]	0.7	0.6	-17.2	0.6	-1.3	0.8	28.8
Total Revenue [A+B+C]	25	28	13.6	31	12.8	35	11
Capital Exp [D]	7.4	9.5	28.2	10.2	7.4	11.2	10.1
Revenue Exp [E]	34.5	34.9	1.2	37.0	5.8	39.4	6.7
Total Expenditure [D+E]	41.9	44.4	6.0	47.2	6.1	50.7	7.4
Fiscal Deficit	-17.4	-16.5	NA	-15.7	NA	-15.7	NA
Nominal GDP	272.4	295.4	8.4	324.1	9.7	357.0	10.1
Fiscal deficit as (%) of GDI	6.4	5.6		4.8		4.4	

GOI's Fiscal Position - as a % of GDP

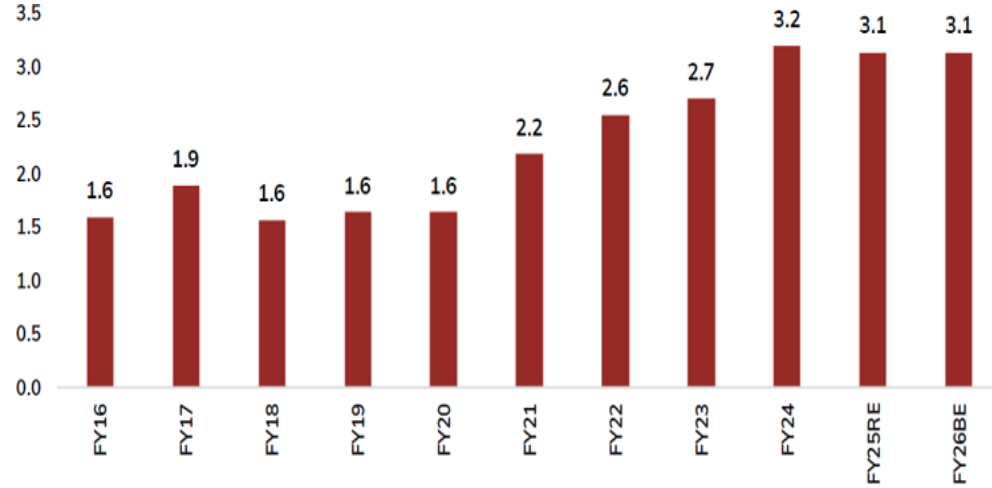
	FY23	FY24	FY25RE	FY26 BE
Direct tax revenues	6.1	6.6	6.9	7.1
Indirect tax revenues	5.1	5.1	5.0	4.9
Gross Tax revenues	11.2	11.7	11.9	12.0
Net Tax revenues [A]	7.7	7.9	7.9	7.9
Non-tax revenues [B]	1.0	1.4	1.6	1.6
Disinvestmt & Others [C]	0.3	0.2	0.2	0.2
Total Revenue [A+B+C]	9.0	9.4	9.7	9.8
Capital Exp [D]	2.7	3.2	3.1	3.1
Revenue Exp [E]	12.7	11.8	11.4	11.0
Total Expenditure [D+E]	15.4	15.0	14.6	14.2
Fiscal Deficit	6.4	5.6	4.8	4.4

GOI's Fiscal Position - growth rates

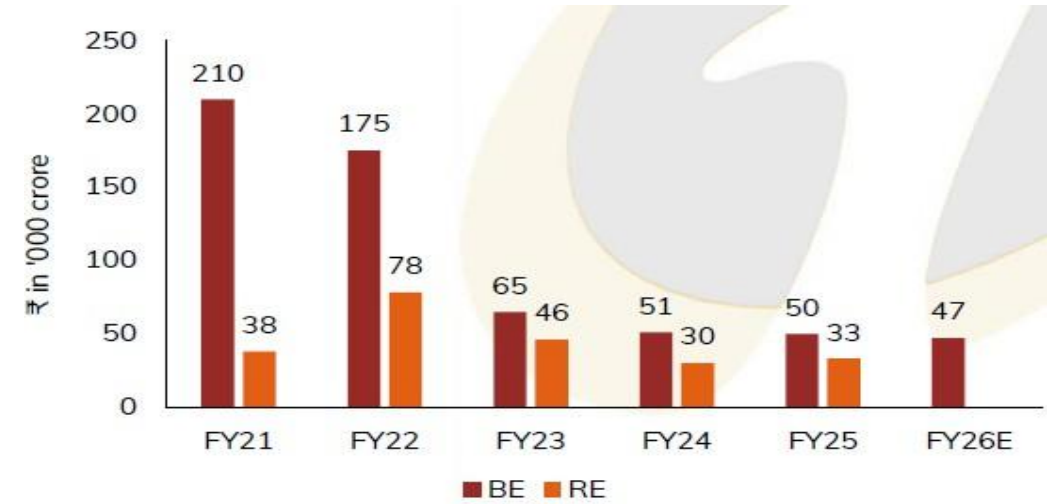
	FY21	FY22	FY23	FY24	FY25RE	FY26BE
GDP	1,97,46,000	2,36,64,637	2,72,40,712	2,95,35,667	324,00,627	359,64,696
Gross Tax Revenue	10.3%	11.4%	11.2%	11.7%	11.9%	12.0%
Corporate Tax	2.3%	3.0%	3.0%	3.1%	3.0%	3.0%
Income Tax	2.5%	2.9%	3.1%	3.5%	3.9%	4.0%
GST	2.8%	3.0%	3.1%	3.2%	3.3%	3.3%
Others (Excise+Customs)	2.7%	2.5%	2.0%	1.9%	1.7%	1.6%
Total Exp	17.8%	16.0%	15.4%	15.0%	14.6%	14.2%
Capital	2.2%	2.5%	2.7%	3.2%	3.1%	3.1%
Revenue	15.6%	13.5%	12.7%	11.8%	11.4%	11.0%
Growth in CapEx		39.1%	24.8%	28.2%	7.4%	10.1%
Growth in RevEx		3.8%	7.9%	1.2%	5.8%	6.7%
Fiscal deficit(%)	9.2%	6.7%	6.4%	5.6%	4.8%	4.4%
Subsidies						
Fertiliser	0.65%	0.65%	0.83%	0.59%	0.53%	0.47%
Food	2.74%	1.22%	1.05%	0.67%	0.61%	0.57%
Petroleum	0.19%	0.01%	0.03%	0.04%	0.05%	0.03%
Interest	3.4%	3.4%	3.5%	3.7%	3.5%	3.9%
Gross Borrowing	6.9%	4.8%	5.2%	5.2%	4.3%	4.2%



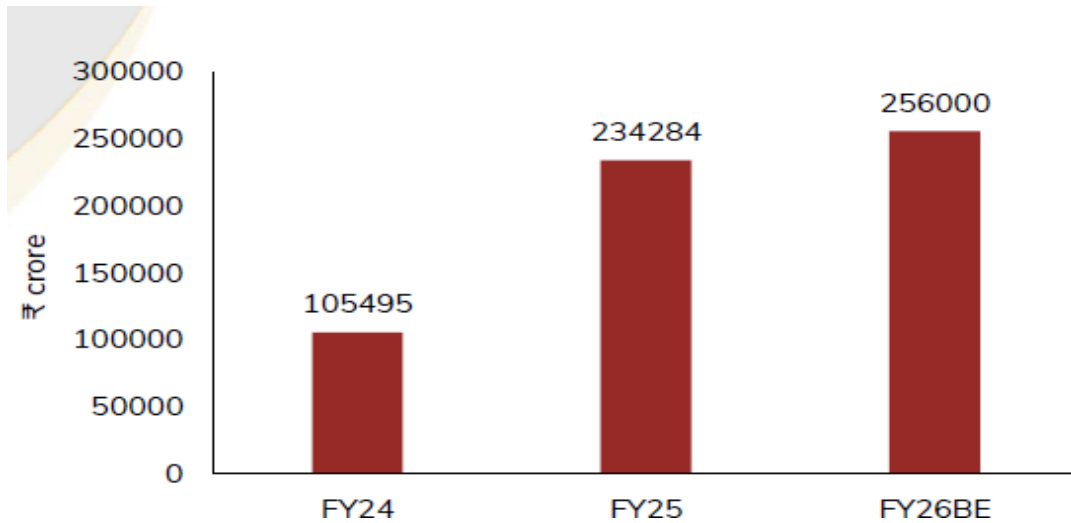
Capex as a % of GDP



Disinvestment Target



Payout from the RBI



GOI's Debt / GDP

Years	Gol's Revenue Deficit/Fiscal Deficit ratio	Centre	Combined (IMF)
		Debt to GDP ratio	
FY15	71.6	50.1	67.1
FY16	64.3	50.1	69.0
FY17	59.1	48.3	68.9
FY18	75.1	48.2	69.7
FY19	70.0	48.1	70.4
FY20	71.4	50.7	75.0
FY21	79.7	60.7	88.4
FY22	65.1	57.4	83.5
FY23	61.6	56.5	81.7
FY24	46.2	57.5	83.0
FY25 (RE)	38.9	56.1	83.1
FY26 (BE)	33.4	55.1	82.6



Fiscal Discipline

Key Budget Highlights

- **On the fiscal deficit front, Government exhibited disciplined path with deficit target revised down for FY25RE at 4.8% versus earlier estimate of 4.9% and to 4.4% for FY26BE**, as against market expectation of ~4.5%.
- The subsidy allocation has remained unchanged for broader heads. **Government has kept a strict vigil on its subsidy allocation which for FY26E is estimates at ₹ 3.8 lakh crore, flat on YoY basis, however down as a % of GDP basis to 1.1% of GDP in FY26E vs. 1.2% in FY25E.** Government has also broadly maintained allocation towards its flagship DBT schemes namely Mahatma Gandhi National Rural Employment Guarantee Program (MGNREGA) and Pradhan Mantri Kisan Samman Nidhi (PM-Kisan).
- **The major focus of the budget has been to revv up consumption via income tax reliefs; Exemption on personal income tax upto Rs 12,00,000 and addition of new tax slab will lead to higher income in the hands of middle-income group. Further the government has increase allocations under various scheme to improve rural economy.** This will boost consumer sentiments in the urban and rural demand in India, which is likely to lead to an uptick in the consumer demand going ahead (likely from Q1FY26).
- **Capex intensity has been maintained despite capex spending growing at a CAGR of 20% over FY22-FY26BE. The Government has budgeted growth at 10.1% YoY in FY26BE to ₹ 11.21 lakh crore. The capex to GDP is pegged flat at 3.1% in FY26BE vs. 3.1% in FY25RE.** Allocation in key segments like Roads and Railways has been flat over FY25-26 whereas, Defence and Housing (PM Awaas Yojna) has seen allocation rising double digit ~13% and ~19% respectively thereby creating a high base. Implicitly in our view the run-rate of monthly capex spent will average at ₹ 97,000 crore from Q4FY25-FY26E vs. ₹ 76,000 crore spent in 9MFY25.

3 Cornerstones of Budget 2025

- The Government in Budget 2025-26 has tried to balance the three cornerstones of the economy in their order of preference: a) **Income Tax relief to the public at large in order to address the consumption moderation, b) Maintain Fiscal discipline thereby containing macro variables and c) Allocation to capex, albeit some moderation.** We believe revving up consumption in the near term would provide additional triggers for both central and private capex to revive in the medium to long term.

Fiscal Discipline

- Government continued on its fiscal glide path with fiscal deficit target revised down for FY25RE at 4.8% versus earlier estimate of 4.9% and to 4.4% for FY26, as against market expectation of ~4.5%. **While the fiscal deficit in absolute terms in FY26 remain at similar level of FY25 at ₹15.7 lakh crore, gross market borrowing has been increased to ₹14.8 lakh crore versus ₹14.0 lakh crore in FY25.**
- **Nominal GDP growth estimates for FY26 has been marginally increased to 10.1% as compared to 9.7% in FY25.**
- **Gross tax revenue growth forecast is lowered for FY26 at 10.8% as against 11.2% in FY25 with expectation of some improvement in corporate tax collection while similar growth of 10.9% is assumed for GST. Income tax growth risen from 2.5% of GDP in FY21 to 4.0% in FY26E.**



Capex

- Growth in Capex has been resumed to a normalized level of 10.1% in FY26 as compared to 7.4% in FY25. Capex growth likely to moderate to 10.1% in FY26BE on high base of average 30% from FY22 to FY24 but will recover from an election hit year low growth of 7.4%. **Capex intensity has been maintained despite capex spending growing at a CAGR of 20% over FY22-FY26BE. The Government has budgeted growth at 10.1% YoY in FY26BE to ₹ 11.21 lakh crore.** The capex to GDP is pegged flat at 3.1% in FY26BE which is same as FY25RE. Allocation in key segments like Roads and Railways has been flat over FY25-26 whereas, Defence and Housing (PM Awaas Yojna) has seen allocation rising double digit ~13% and ~19% respectively thereby creating a high base. **The tendering & ordering activity in Q1FY25 was muted on account of elections/code of conduct. The same picked up pace in Q2 & Q3 of FY25, however there still remains ₹3 trillion to be spent. The same implies that the remaining 2 months of FY25E will witness hectic activity in terms of new tenders and ordering activity.**

Disinvestment

- FY26BE disinvestment target continue to remain in-line with budget at **₹ 47,000 crore.**

Dividends

- **Dividend from RBI & financial institutions for FY25 at ₹2,34,284 crore**, aiding non-tax revenues. Earmarked contribution of ₹2,56,000 crore, attributable to anticipation of continued higher payout from RBI, amid aggressive intervention in currency markets.

Personal Income Tax

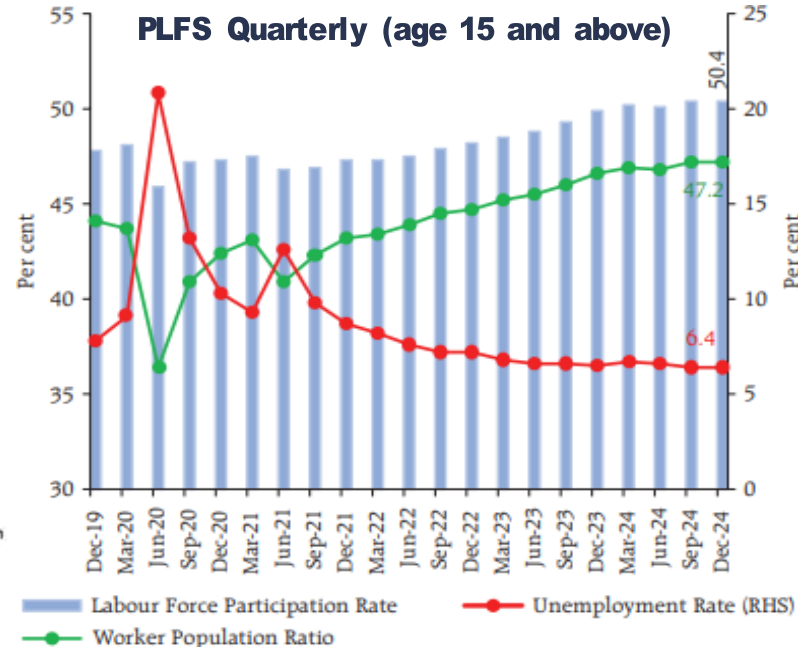
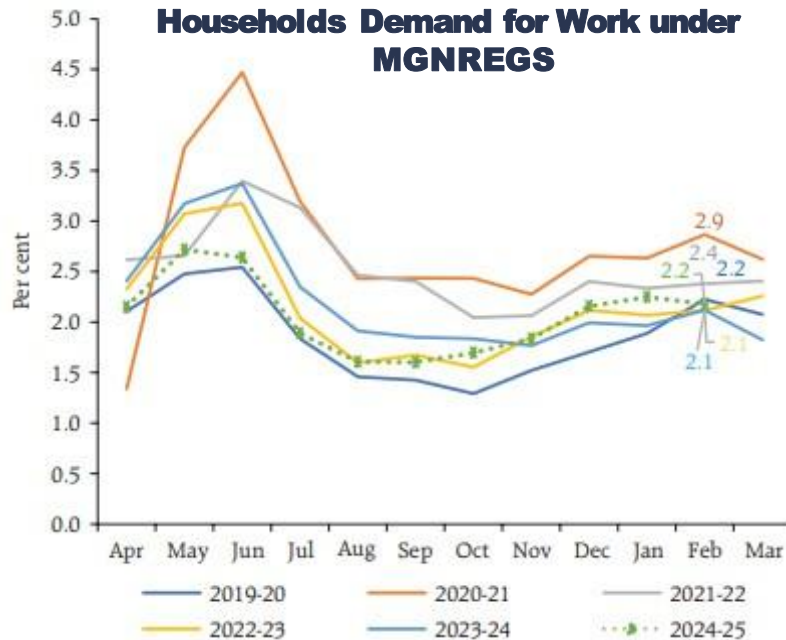
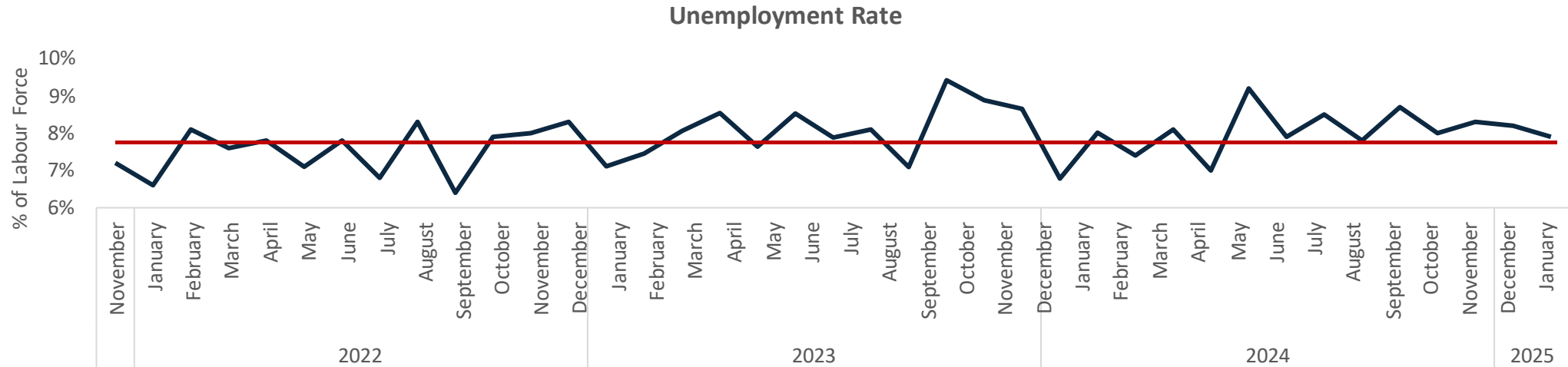
- **Government has announced biggest ever overhaul in personal income tax structure thereby increasing the tax-exempt income from ₹ 7 lakh to ₹ 12 lakh in Union Budget 2025-26. This tax relief, is expected to increase disposable income in the range of ₹ 30,000 to 1,10,000 pa in the hands of tax-payer.** For the financial year 2022-23, around 34 million individuals filed tax returns reporting income above Rs 5.5 lakhs (we don't have the exact number of people with incomes above ₹7 lakhs). And in the last two years, the number would have increased by ~10-15%. **So, ballpark of around 40 million people can potentially benefit from the higher tax exemption. The government expects this higher exemption to cost the exchequer ₹1000bn or 0.3% of GDP. So, if we assume, around 30 million people benefit from this higher exemption, it translates to ~₹33k per person.** For reference, India's per capita GDP is ₹2.4 lakhs. So both at an individual level and in aggregate, this is a material benefit. **So, this should boost consumption and in turn GDP growth and eventually trickle down to other sectors of the economy through the multiplier effect.** It should result in some upgrade to FY26 GDP growth estimate (which in FY25 has fallen to the lowest since the pandemic) as well as for some of the consumer goods companies — possibly the consumer durables companies as the quantum of savings is the sweet spot for them. Of course, for that people have to go and spend the money in a shopping mall or on an e-commerce platform rather than listening to their financial advisors and starting an SIP or paying down their debt. For we might run into the paradox of thrift in that case.

GST Collection

- India's **GST collections hit a record ₹2.37 lakh crore in April 2025, up 12.6% YoY**, driven by 10.7% growth in domestic transactions and a sharp 20.8% surge in import-related GST. This reflects strong underlying consumption and trade activity, with April refunds also rising 48.3% YoY to ₹27,341 crore, **suggesting high gross collections.**
- The notable GST figures for April may have also been positively influenced by substantial exports to the US market prior to the announcement of reciprocal tariffs. **While a potential moderation in absolute GST collections is anticipated next month due to the current global economic climate, the overall outlook for the Indian economy remains optimistic.**



8. Employment



Employment Conditions Update (Q3:2024-25)

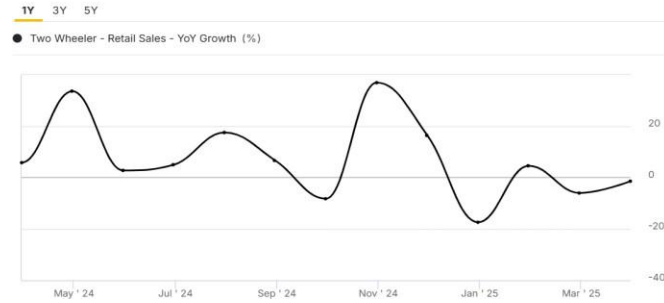
- Employment conditions remained strong during Q3:2024-25.
- Urban employment indicators – **Labour Force Participation Rate (LFPR) and Employment Rate (ER)** – showed healthy trends under the Periodic Labour Force Survey (PLFS).
- The **urban unemployment rate stayed at 6.4%, the lowest recorded** in the PLFS series so far, showing improvement in job availability.
- Formal employment picked up as seen in EPFO payroll data – net new payrolls grew by 4.2% in Q3, compared to a decline in the previous quarter.
- In rural areas, demand for work under the Mahatma Gandhi National Rural Employment Guarantee Act (**MGNREGA**) moderated: **Demand dropped in March as the rabi crop harvest began, reducing the need for additional wage work.**
- Overall, annual demand for MGNREGA work fell by 7.4% in 2024-25 compared to the previous year.
- **Daily wages under MGNREGA have been increased by ₹7 to ₹26 per day across states**, effective from April 1, 2025, marking a 2.3% to 7.5% hike.



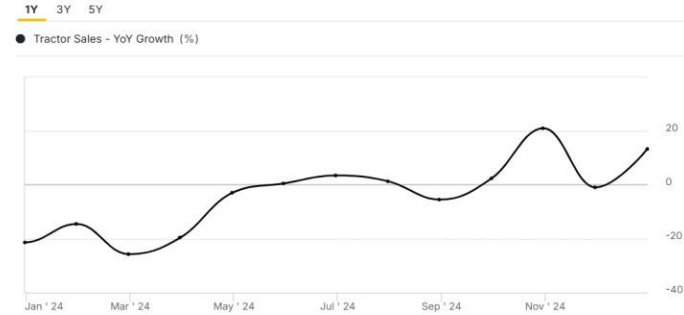
9. Demand Indicators



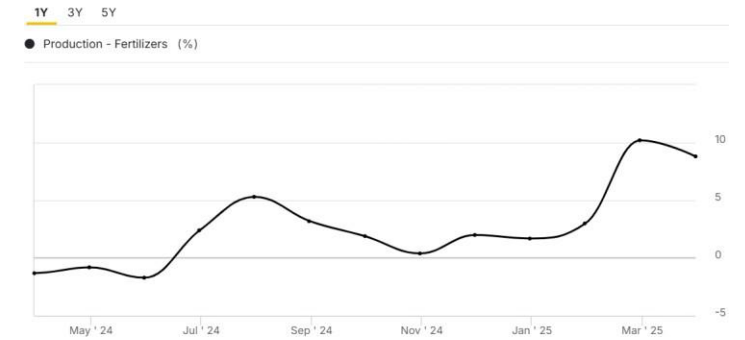
TWO WHEELER - RETAIL SALES - YOY GROWTH (%)



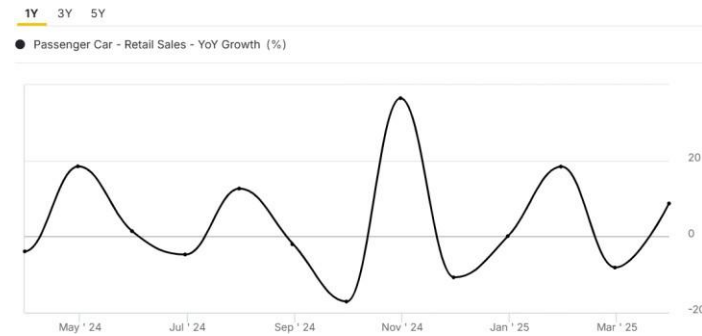
TRACTOR SALES - YOY GROWTH (%)



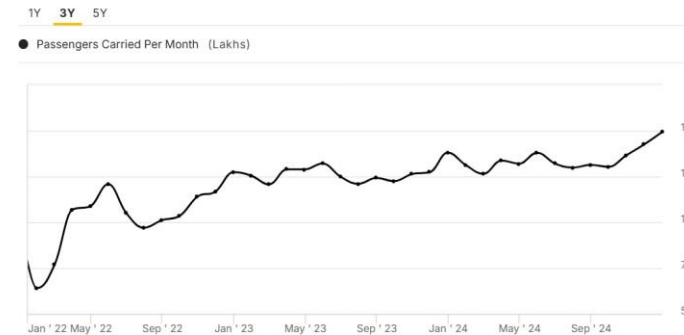
PRODUCTION - FERTILIZERS (%)



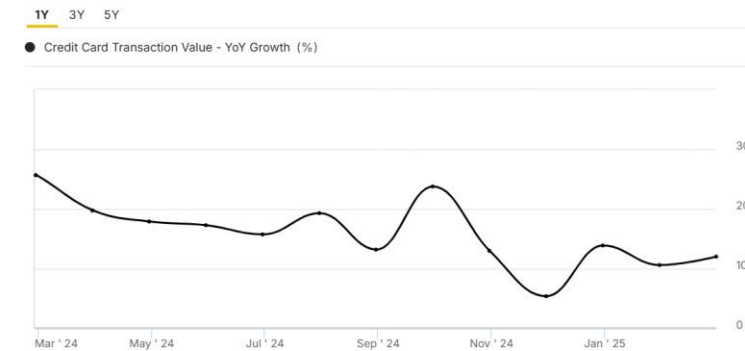
PASSENGER CAR - RETAIL SALES - YOY GROWTH (%)



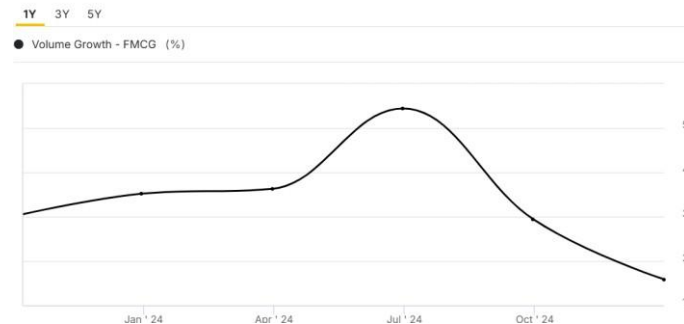
PASSENGERS CARRIED PER MONTH (Lakhs)



CREDIT CARD TRANSACTION VALUE - YOY GROWTH (%)



VOLUME GROWTH - FMCG (%)



Select Consumer Demand Indicators

Rural Demand

Tractor and fertilizer sales have seen a strong uptick, supported by favorable monsoon conditions and improved harvest yields, which have boosted rural incomes and purchasing power. In contrast, **two-wheeler sales have been on a decline**, reflecting a divergence in rural consumption trends.

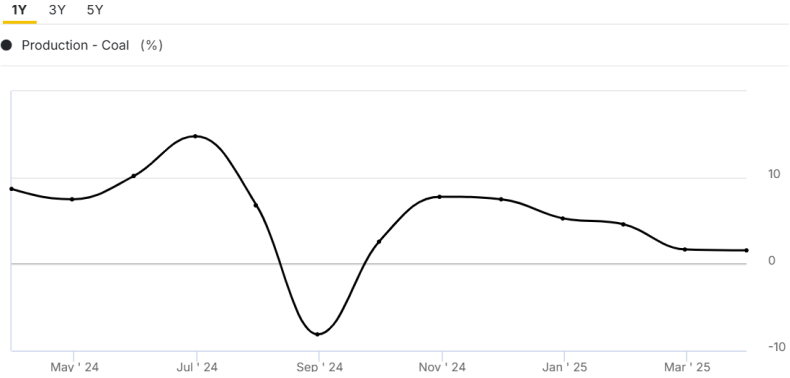
Urban Demand

Sales of Passenger Vehicles, FMCG Volume growth, and Credit card transactions experienced a downtick just after the festive season, whereas **Airline passenger traffic experienced an uptick**.

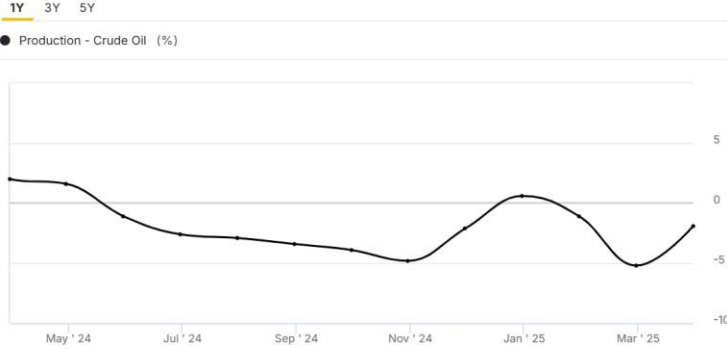
High-frequency indicators suggest that rural demand remains resilient, buoyed by improved agricultural activity, while urban demand appears to be entering a soft patch, reflecting a broader slowdown in discretionary consumption.



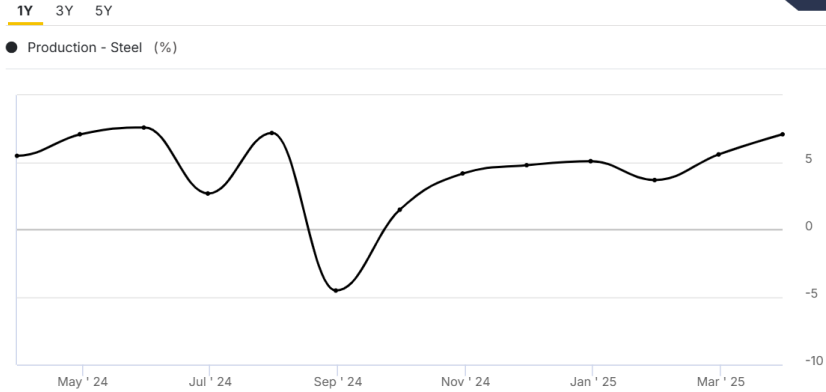
PRODUCTION - COAL (%)



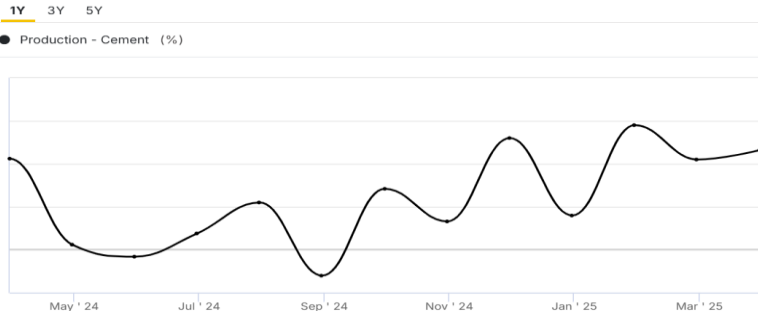
PRODUCTION - CRUDE OIL (%)



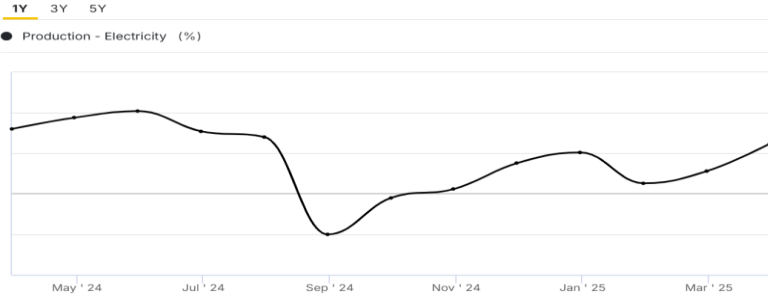
PRODUCTION - STEEL (%)



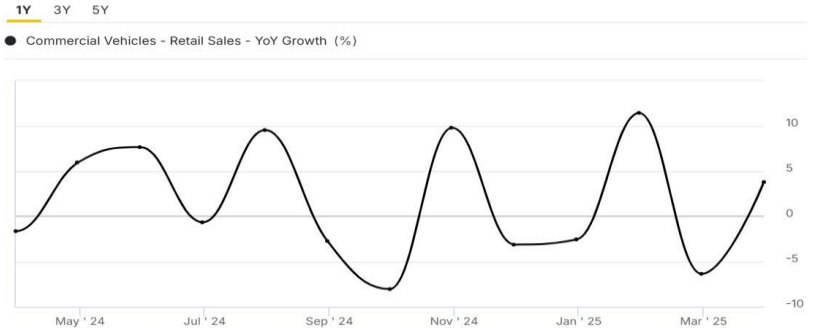
PRODUCTION - CEMENT (%)



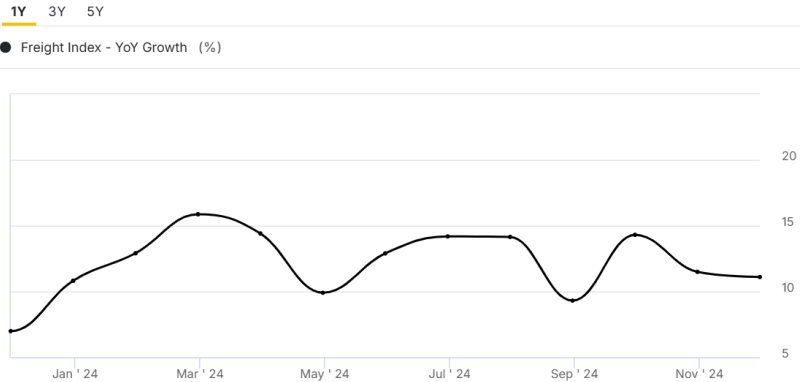
PRODUCTION - ELECTRICITY (%)



COMMERCIAL VEHICLES - RETAIL SALES - YOY GROWTH (%)



FREIGHT INDEX - YOY GROWTH (%)



Select Industrial Demand Indicators

- This cautious industrial activity aligns with broader economic sentiments.** The Reserve Bank of India's (RBI) April 2025 bulletin highlighted that while India's economy remains relatively resilient amidst global headwinds and uncertainties - particularly regarding international trade policies and tariffs which are influencing corporate investment decisions. **Many firms appear to be postponing significant capital expenditures, awaiting clearer policy directions.**
- In summary, **India's industrial sector is experiencing a phase of cautious growth, influenced by both domestic and global uncertainties. While certain segments show promise, a comprehensive recovery may hinge on clearer policy frameworks and improved global economic conditions.**



Economic Heatmap



	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
↓ GDP	Good	Good	Good	Ok	Bad	Bad	Bad	Bad	Bad	Bad	Bad
↑ Inflation	Good	Good	Good	Ok	Ok	Ok	Ok	Ok	Good	Good	Good
↓ Industry	Good	Good	Good	Ok	Bad	Bad	Bad	Bad	Ok	Good	Bad
↓ Capex	Good	Good	Good	Good	Good	Ok	Ok	Ok	Ok	Bad	Bad
↑ Liquidity	Good	Ok	Good	Ok	Ok	Bad	Bad	Bad	Bad	Bad	Ok
↑ Trade	Good	Good	Good	Good	Good	Good	Good	Good	Good	Good	Good
↑ Fiscal Situation	Good	Good	Good	Good	Good	Good	Good	Good	Good	Good	Good
→ Employment	Good	Bad	Bad	Ok	Ok	Ok	Ok	Ok	Bad	Ok	Ok
↓ Demand Indicators	Bad	Bad	Bad	Bad	Bad	Bad	Bad	Bad	Bad	Bad	Bad
↓ Equity	Ok	Bad	Bad	Bad	Bad	Bad	Bad	Bad	Bad	Bad	Bad
↑ Debt	Good	Good	Good	Good	Good	Good	Good	Good	Good	Good	Good

Key:
V Good
Good
Ok
Bad
V Bad

Cautious Optimism

The Indian economy currently finds itself in a measured and cautious phase, with private sector capital expenditure and GDP growth moderating amid lingering uncertainties surrounding global tariff regimes and trade policies. This wait-and-watch approach by corporates is evident in the subdued momentum across key industrial segments, despite otherwise stable macroeconomic conditions. However, there are notable tailwinds. As highlighted in the RBI's April 2025 Bulletin, inflation remains well anchored within the central bank's target range, and systemic liquidity continues to be in comfortable surplus. These conditions offer the RBI ample room to consider policy rate reductions, which, if timed appropriately could deliver a strong countercyclical stimulus to reinvigorate economic activity over the short to medium term. Yet, for this policy impulse to translate into sustained, broad-based recovery, we must witness a tangible improvement in aggregate demand, both from urban consumers and rural households. Strengthening consumption fundamentals through improved income visibility and employment generation will be critical in converting macro-stability into durable growth momentum.

Equity Outlook





Market Cap Risk-Return Profile/ PE-Multiples



Year	Nifty 50 Return %													CY
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
2025	-1%	-6%	6%	3%									2.88%	
2024	0%	1%	2%	1%	-1%	7%	4%	1%	2%	-6.22%	-0.31%	-2.02%	8.6%	
2023	-2%	-2%	0%	4%	3%	4%	3%	-3%	2%	-3%	6%	8%	20.0%	
2022	0%	-3%	4%	-2%	-3%	-5%	9%	4%	-4%	5%	4%	-3%	4.3%	
2021	-2%	7%	1%	0%	7%	1%	0%	9%	3%	0%	-4%	2%	24.1%	
2020	-2%	-6%	-23%	15%	-3%	8%	7%	3%	-1%	4%	11%	8%	14.9%	
2019	0%	0%	8%	1%	1%	-1%	-6%	-1%	4%	4%	2%	1%	12.0%	
2018	5%	-5%	-4%	6%	0%	0%	6%	3%	-6%	-5%	5%	0%	3.2%	
2017	5%	4%	3%	1%	3%	-1%	6%	-2%	-1%	6%	-1%	3%	28.7%	
2016	-5%	-8%	11%	1%	4%	2%	4%	2%	-2%	0%	-5%	0%	3.0%	
2015	6%	1%	-5%	-4%	3%	-1%	2%	-7%	0%	1%	-2%	0%	-4.1%	
2014	-3%	3%	7%	0%	8%	5%	1%	3%	0%	4%	3%	-4%	31.4%	
2013	2%	-6%	0%	4%	1%	-2%	-2%	-5%	5%	10%	-2%	2%	6.8%	
2012	12%	4%	-2%	-1%	-6%	7%	-1%	1%	8%	-1%	5%	0%	27.7%	
2011	-10%	-3%	9%	-1%	-3%	2%	-3%	-9%	-1%	8%	-9%	-4%	-24.6%	
2010	-6%	1%	7%	1%	-4%	4%	1%	1%	12%	0%	-3%	5%	18.0%	
2009	-3%	-4%	9%	15%	28%	-4%	8%	1%	9%	-7%	7%	3%	75.8%	
2008	-16%	2%	-9%	9%	-6%	-17%	7%	1%	-10%	-26%	-5%	7%	-51.8%	
2007	3%	-8%	2%	7%	5%	1%	5%	-1%	12%	18%	-2%	7%	54.8%	
2006	6%	2%	11%	5%	-14%	2%	0%	9%	5%	4%	6%	0%	39.8%	
2005	-1%	2%	-3%	-7%	10%	6%	4%	3%	9%	-9%	12%	7%	36.3%	
2004	-4%	-1%	-2%	1%	-17%	1%	8%	0%	7%	2%	10%	6%	10.7%	
2003	-5%	2%	-8%	-5%	8%	13%	5%	14%	4%	10%	4%	16%	71.9%	
2002	2%	6%	-1%	-4%	-5%	3%	-9%	5%	-5%	-1%	10%	4%	3.2%	
2001	9%	-1%	-15%	-2%	4%	-5%	-3%	-2%	-13%	6%	10%	-1%	-16.2%	
2000	4%	7%	-8%	-8%	-2%	7%	-9%	5%	-9%	-8%	8%	0%	-14.7%	

Risk-return Measures	Nifty 50	Nifty Mid Cap 150	Nifty Small Cap 100
CAGR Return %	11.7%	14.6%	14.9%
Standard Deviation	21.8%	26.5%	30.6%
Avg Months with +ve return / yr	7	7	6
Avg Months with -ve return / yr	5	4	5
Avg Months with >6% decline / yr	1	2	1
No of Years	26	20	12

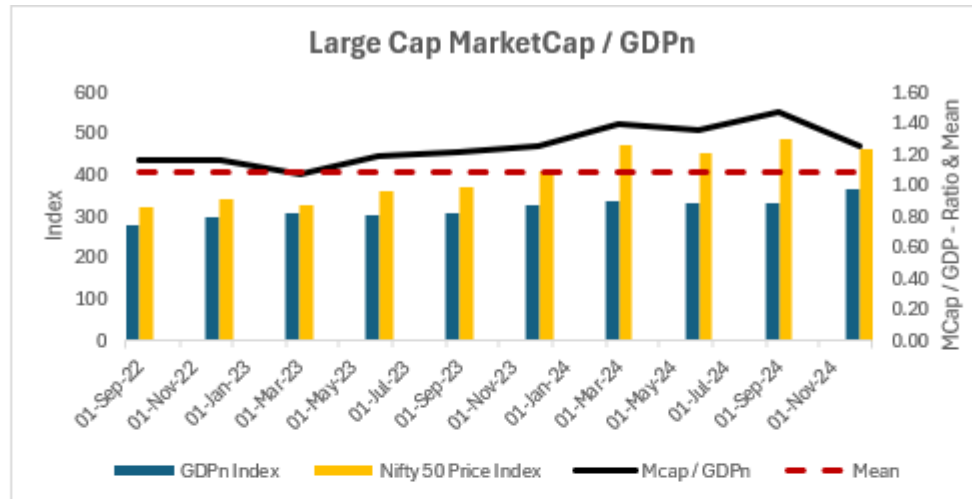
Tempered Down Expectations

- From Oct 2024 till Apr 2025, the Nifty 50 Index has declined ~1%, sparking caution among investors. Historically, the Nifty 50 has given a CAGR of ~12% over the past ~26 years, with an average of only 1 month in a year where returns have declined by 6% or more (this number is the almost the same for mid and small caps). Furthermore, advances and declines in a single month were at an average of 7 and 5 respectively in a single year for large caps, thus tending towards a CAGR of ~12% over a long-time horizon. Similarly Mid Caps registered a CAGR of ~15% over the past ~20 years and Small Caps registered a CAGR of ~15% over the past ~12 years. As we start CY 2025 with a modest 3% return for Nifty 50, thus exhibiting mean reversion from the past two years, we expect muted returns in the Large Cap segment, atleast in the first 9 months of this calendar year. Mid and Small Caps have given a return of ~24% each in CY 2024 which followed 44% and 56% return respectively in CY 2023. Hence, we expect returns in Mid and Small Cap Indices to be subdued in 9M of CY 2025 with reversion to their long-term mean.
- The Risk-Return Matrix shows the tradeoff between risk and return for the 3 Market Cap indices, with increasingly higher returns at the cost of higher risk as we move down the Market Cap spectrum.
- As per TTM PE valuations Mid Cap and Small Cap seem to be marginally Overvalued and Large Caps Fairly-valued.

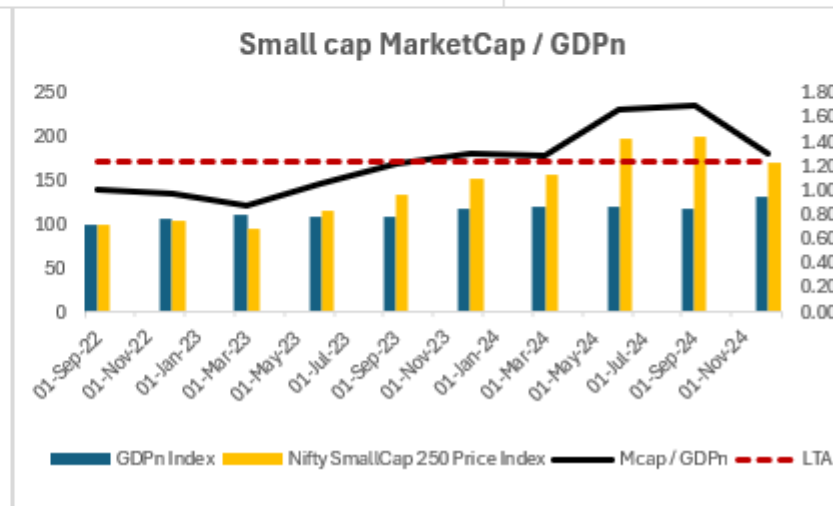
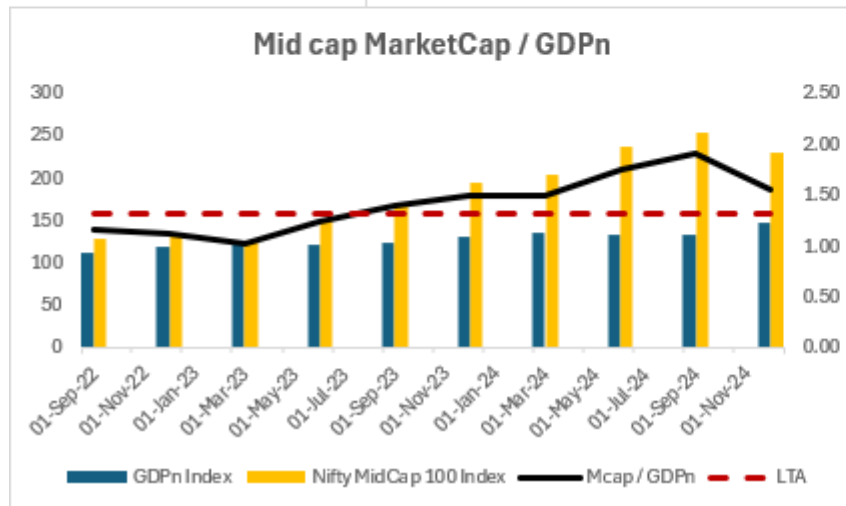
Market Cap	Current PE	Long Term Average PE	Premium / (Discount)	Valuation
Large Cap	20.65	23.92	-14%	Fairly Valued
Mid Cap	34.46	32.31	7%	Overvalued
Small Cap	27.90	25.15	11%	Overvalued



Buffett Indicator



INR Trillion	FY20-23 CAGR	FY24	FY25E	FY26E	Growth	
					FY25E	FY26E
M-CAP	27.0%	187.8	-	-		
EPS	19.0%	944	1050	1191	11.2%	13.4%
EPS (Q1 FY25)			255			
EPS (Q2 FY25)			254			
EPS (Q3 FY25)			264			
Q4FY25 Expected			276			



The present lofty valuations are further evidenced in the **high premiums exhibited in their Mcap/GDP ratios where Large Caps and Mid Caps are currently trading at premiums of approx 13% & 16%, whereas Small Caps are currently trading at small premium of approx 4%** (as per Buffet Indicator), as on 28th Apr 2025. **EPS estimates for FY 2025 and FY 2026 are 11.2% and 13.4% respectively, which seems encouraging going forward.**

Source: Internal assessment based on RBI DBIE data and NSE India and Bloomberg



Corporate Earnings Preview



Sector	Outlook
Automobiles & Components	Automotive OEM revenues are likely to increase by approximately 5% year-on-year (YoY), primarily driven by (1) a low mid-single-digit YoY rise in production volumes across passenger vehicles (PV), commercial vehicles (CV), and two-wheelers (2W), (2) a low-teens growth in tractor production volumes, and (3) a modest improvement in average selling prices (ASPs) due to a favorable mix within the PV segment. These positives are expected to be partially offset by (1) a decline in Jaguar Land Rover (JLR) production volumes and (2) higher discounts and price cuts. EBITDA margins for OEMs are likely to contract by 40 basis points YoY, mainly due to (1) increased discounts, particularly in the PV and JLR businesses, and (2) elevated advertisement and promotional spending. Consequently, EBITDA is expected to post a marginal 1% YoY growth in Q4FY25. Auto Component Manufacturers (excluding SAMIL) are projected to deliver a 6% YoY revenue increase, with a sequential growth of 3% quarter-on-quarter (QoQ), supported by (1) low mid-single-digit YoY growth in 2W/PV/CV volumes, (2) low-teens YoY growth in tractor output, and (3) mid-to-high single-digit YoY growth in volumes across the replacement segment—particularly in tires and bearings. However, EBITDA margins in the auto component segment are expected to contract by 120 basis points YoY, primarily owing to (1) an adverse product mix (notably in batteries), (2) raw material cost headwinds (notably in tires), and (3) a weaker export mix, especially in higher-margin segments. As a result, EBITDA (excluding SAMIL) is likely to decline by 4% YoY. Companies with substantial exposure to global automotive markets may report subdued performance, given a low single-digit YoY decline in European Union production volumes and muted demand trends in the electric PV segment, however we are awaiting the final UK FTA draft to ascertain its impact on this sector.
Banks	4QFY25 is likely to mark another quarter of subdued earnings growth for the banking sector. Provisional business updates released by various banks indicate that loan growth stands at approximately 10–11% year-on-year. Attention is now shifting towards pressures on Net Interest Margins (NIMs), driven by recent policy rate cuts and easing concerns around deposit accretion and asset quality. A sequential decline in NIMs of around 10-15 basis points is being factored in, although the impact may vary across lenders depending on their loan book composition—particularly the share of loans benchmarked to different reference rates—and the timing of interest rate transmission. This divergence will likely be a critical discussion point, especially with regard to how policy rate cuts are being reflected in deposit rates, and what lenders see as the primary growth drivers going forward. Slippages, excluding the microfinance (MFI) segment, are expected to be less of a concern. Some lenders may adopt a more constructive stance on their unsecured loan portfolios; however, overall growth momentum in this segment may remain constrained. Stress within MFIs is likely to persist, and the sector will be closely monitored to determine whether the portfolio has peaked in terms of fresh delinquencies within the early delinquency (SMA) buckets. Slippages are expected to remain elevated, reflecting the high levels of stress already indicated in the SMA books of several lenders in the previous quarter.
Construction Materials	Cement industry demand is likely to register a growth of approximately 10% year-on-year (YoY) in 4QFY25, aided by seasonal tailwinds. Volume growth is estimated at around 11% YoY, with larger players expected to gain market share during the quarter. On the pricing front, all-India average cement prices rose by approximately 1.1% quarter-on-quarter (QoQ) in 4QFY25. While the southern region continued to witness price softness, this was more than offset by sequential price increases across other key regions, contributing to an overall uptick in average realization. Margins are likely to improve sequentially, supported by operating leverage benefits and relatively subdued energy costs. As a result, cement sector EBITDA per ton is projected to increase by approximately ₹250/ton QoQ, driven by both higher realizations and cost efficiencies.
Electric Utilities	Electricity demand in 4QFY25 stood at approximately 417 billion units (BUs), marking a 4% year-on-year (YoY) increase. Peak power demand during the quarter reached 238 GW, reflecting a 6% YoY rise. Capacity addition across the country saw a notable pick-up during the quarter—January and February 2025 together contributed 8.4 GW of new capacity, primarily in the renewable segment, compared to 20 GW added over the first nine months of FY25 (9MFY25). NTPC is likely to report a 2% YoY decline in generation due to only modest demand growth, and limited incremental capacity additions during the year. This is expected to translate into muted profit-after-tax (PAT) growth of around 6% YoY. For Power Grid Corporation, PAT growth is also likely to be modest at 4% YoY, reflecting the relatively low capitalization of its expanded asset base during the quarter. Tata Power is expected to benefit from earnings contributions from its renewable portfolio, supported by an expanding capacity base and strong execution in its solar EPC business through Tata Power Solar. Losses at the Mundra plant are likely to have been contained, as operations during the quarter were conducted under the cost-plus tariff mechanism, ensuring margin protection despite input cost variability. JSW Energy is expected to deliver robust generation at 7.4 BUs, a 16% YoY increase, largely attributable to new contributions from the Ind-Barath acquisition, additional renewable assets, and the recently acquired 1,800 MW KSK capacity. Meanwhile, Coal India Ltd. (CIL) is estimated to have reported flat dispatch volumes at 200 million tonnes during 4QFY25. Blended realizations are expected to have remained steady at ₹1,707 per tonne, with only a modest improvement in e-auction realizations to ₹2,718 per tonne, reflecting a 7% YoY increase.

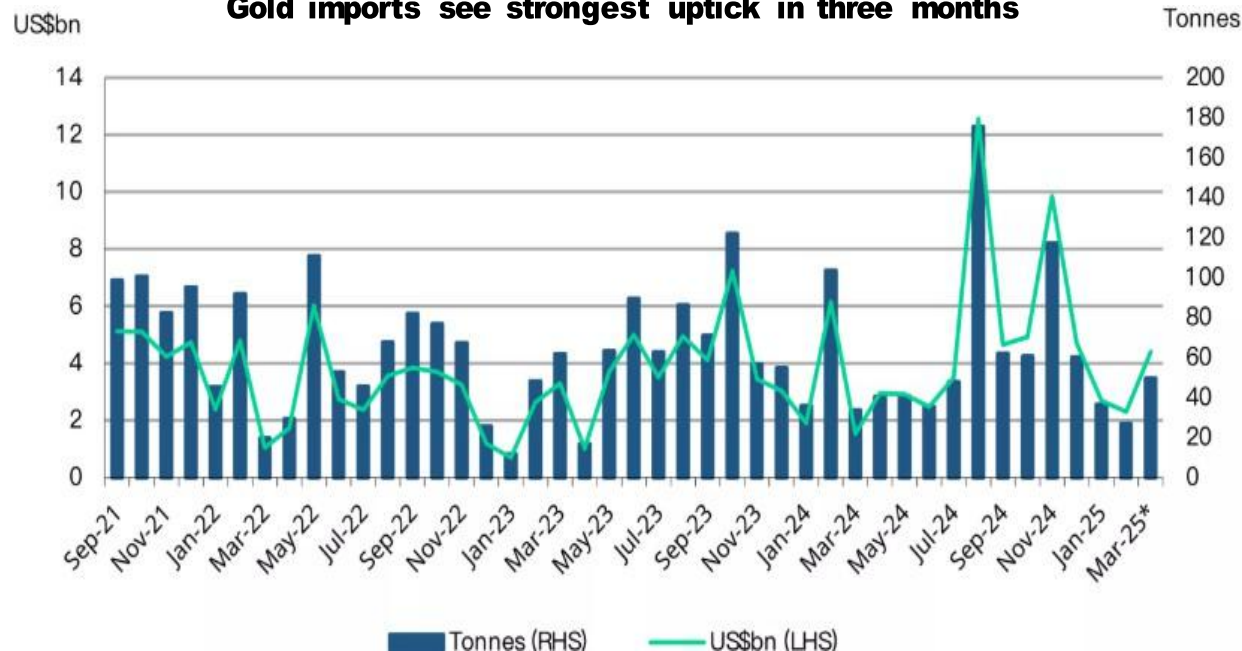
Sector	Outlook
Capital Goods	The Transmission & Distribution (T&D) segment is expected to sustain its strong year-on-year (YoY) growth momentum in 4QFY25, supported by a healthy demand environment across key geographies. Companies such as Siemens, CG Power, and ABB are likely to benefit from continued profitability and business expansion in their power segments. Strong ordering activity has emerged as a key highlight this quarter, with KEC International expected to report 23% YoY revenue growth and Kalpataru Projects International Ltd. (KPIL) anticipated to deliver around 10% growth. While KPIL is seeing robust execution in the T&D and buildings segments, performance in the water segment remains relatively soft. Thermal power demand continues to remain strong. BHEL is expected to post high double-digit growth, supported by sustained domestic project activity. Larsen & Toubro (L&T) recently secured an ultra-mega energy order from the Middle East, in addition to seeing strong traction in its infrastructure business. These developments are likely to boost L&T's quarterly order inflows to healthy double-digit levels. Execution of overseas orders is progressing well, contributing to an estimated 18% YoY growth in EPC revenues and 16% YoY growth in consolidated revenues. Lower commodity prices under fixed-price contracts are expected to further aid EPC margins. In the Power Generation (Powergen) segment, order inflows appear to be gradually normalizing following a phase of pre-buying. Cummins is expected to record low double-digit YoY growth, although margins may see sequential pressure due to price cuts in the lower KVA segment, which has seen some weakening in pricing power. In contrast, Abrasives And Electro Minerals may come under pressure this quarter. Increased dumping by Chinese manufacturers is creating a supply glut, which is expected to impact domestic sales volumes and profitability for players like Carborundum Universal Ltd. (CUMI). Additionally, external factors such as the depreciation of the Ruble and U.S.-imposed restrictions on Russian trade are also weighing on these segments, particularly on the export front. Private Capex continues to remain tepid across conventional sectors, posing a challenge for capital goods companies in terms of incremental ordering. However, select emerging areas are showing green shoots. Thermax may witness improved order activity in oil refineries and steel sector projects, while Praj Industries is expected to benefit from longer-term structural trends such as Compressed Bio-Gas (CBG) and Ethanol-to-Chemicals (ETCA). While 4QFY25 may remain weak for Praj, activity is likely to pick up meaningfully from the first half of FY26 onward. EPC Companies in general—including L&T, Thermax, and Praj—are expected to report strong execution during what is typically a seasonally strong quarter. Their quarter-on-quarter (QoQ) margins are likely to improve, aided by favorable operating leverage and relatively benign input cost conditions. In the Roads segment, awarding activity remained muted during 4QFY25. For IRB Infrastructure, revenues are expected to decline by approximately 5% YoY. While toll revenues are likely to grow by 2%, this is expected to be offset by a 10% drop in construction-related income. In the Defense sector, order inflows have remained subdued for key players such as Bharat Electronics Ltd. (BEL) and Cochin Shipyard. BEL is projected to post 17% YoY topline growth, with strong EBITDA margins of around 27.5%. Cochin Shipyard, supported by execution of key naval projects such as the ASW Corvette and Next Generation Missile Vessel (NGMV), is expected to report 39% revenue growth. However, EBITDA margins for the company are expected to compress by 80 basis points sequentially to 21.8%, reflecting mix and execution dynamics.
Consumer Staples	In the Staples segment, volume growth across the FMCG pack is likely to remain stable in 4QFY25, reflecting a continuation of 3Q trends characterized by subdued urban demand and steady rural consumption. While some acceleration or deceleration may be seen in specific names such as GCPL and CLGT, the overall environment remains broadly unchanged. Pricing interventions undertaken to mitigate raw material (RM) inflation are expected to modestly support revenue growth for select companies. Within the pack, Marico is likely to post high-teen value growth, with consolidated and India business expected to grow 17% and 19% YoY, respectively. Tata Consumer Products is expected to report double-digit growth at 11.5% organically on a consolidated basis and 12.5% in its India-branded portfolio. Britannia, Godrej Consumer, and Honasa are all expected to clock high single-digit growth in the range of 7-8%. Nestlé India, Dabur (standalone), and Jyothy Labs are likely to see mid-single-digit YoY growth of 5.4%, 3.8%, and 4.2%, respectively. Meanwhile, HUL is expected to post low single-digit growth at 2.2% on a like-for-like (LFL) basis, with Colgate-Palmolive (CLGT) likely remaining flat. Despite some topline support, margins are expected to compress across the board due to input cost pressures—especially in commodities like palm oil, tea, and coffee—combined with weak operating leverage. In the Paints And Adhesives category, demand conditions in the decorative paints segment remain muted. Industry-wide value growth is estimated at just 4-5% including Birla Opus, and flat when excluding it. Within this, Asian Paints (APNT) and Kansai Nerolac (KNPL) may see a 1% value decline, while Berger Paints (BRGR) and Indigo Paints could post 3% and flat growth, respectively. APNT's EBITDA may decline by 8% YoY due to unfavorable operating leverage, whereas BRGR and KNPL are expected to report 20% and 8% YoY EBITDA growth, respectively, on a low base. In contrast, Pidilite Industries (PIDI) is likely to post robust standalone volume and value growth of 9.5% and 10.5%, respectively, driven by strong performance in the core C&B (Consumer & Bazaar) segment, where volume and value growth are expected at 7% and 8%. In the Quick-service Restaurant (QSR) And Footwear sectors, demand patterns continue to mirror 3Q trends. Jubilant FoodWorks (JUBI) is likely to maintain growth momentum with 9.5% YoY like-for-like (LFL) sales and 15.5% system sales growth at Domino's India. Westlife Development and Burger King India are projected to grow revenues by 7.7% and 13.3% YoY, respectively, with same-store sales growth (SSSG) of ~1% for both. For Devyani International (DIL) and Sapphire Foods (SF), KFC is expected to report SSS declines of 6% and 2%, respectively, while Pizza Hut may register 1% and 2% SSSG for DIL and SF, respectively. DIL is likely to report weaker growth metrics relative to SF. EBITDA margins across QSRs may remain under pressure due to a decline in gross margins, adverse operating leverage, and continued investment in network expansion. In footwear, Campus Activewear and Metro Brands (METROBRA) are expected to report YoY revenue growth of 8% and 10%, respectively. In the Cigarettes And Beverages space, ITC is projected to deliver 4.5% volume growth, 7.0% value growth, and 3.5% EBIT growth in its cigarettes business, while its FMCG segment may see muted performance with 4.5% revenue growth and a sharp 30% YoY decline in EBIT. Varun Beverages (VBL) is expected to report strong growth across metrics, with 30% headline volume and revenue growth and 28% EBITDA growth, led by India business growth of 14% in volume, 15% in revenue, and 17% in EBITDA. United Spirits (UNSP) is likely to post 7.5% volume and 12.5% value growth in its premium and above (P&A) segment, with EBITDA margins at 15.4%. United Breweries (UBBL) is also likely to show 4.5% YoY volume growth and 8% value growth, with EBITDA margins at around 8%. Cello World is expected to report 7% value growth in the quarter.

Sector	Outlook
Consumer Durables & Apparel	In the Durables And Electricals Segment, revenue growth trends are likely to remain healthy in 4QFY25. The wires and cables (W&C) category is expected to witness an acceleration in revenue growth, driven by factors such as channel restocking (particularly in wires), a sequential pick-up in capex execution, and raw material inflation. For Polycab, domestic W&C business is projected to register 12% year-on-year (YoY) volume growth and 20% value growth, compared to 9% value growth in 3Q. Export growth is expected to be muted at around 3% YoY, given the high base, leading to an overall W&C growth of 18.5% YoY. Havells is also likely to deliver strong W&C growth of 18 % YoY, supported by channel restocking in wires and increased capacity utilization in cables following the commissioning of its new Tumkur facility in September 2024.In the cooling appliances segment, continued strength is anticipated in categories like RACs and refrigerators, supported by early signs of a favorable summer and aggressive channel stocking. Voltas is expected to report around 22% revenue growth in the Unitary Cooling Products (UCP) segment, driven by 24% growth in RACs, 13% in Commercial Air Conditioning (CAC), and 5% in commercial refrigeration. For Lloyd (Havells), revenue growth is likely to come in at 25% YoY, up from 14.7% in 3Q, benefiting from a soft base. Electrical consumer durables (ECD) are likely to post decent growth for companies with a higher share of fan sales. Havells is expected to see approximately 15% YoY growth in ECD, in line with 3Q. Crompton may post a 10% YoY increase, improving from 6.5% in the previous quarter, while Polycab’s FMEG segment is projected to deliver a strong 24% YoY growth. In the Apparel Sector, Trent is expected to report robust 36% YoY revenue growth, driven primarily by new store additions—122 net additions for Zudio and 10 for Westside on a quarter-on-quarter basis. However, this topline growth is partially offset by a 4.6% YoY decline in revenue per square foot. Total area growth is estimated at 43% YoY, led by the rollout of larger-sized stores. Despite the top-line momentum, gross margins are likely to decline by 30 basis points quarter-on-quarter and 90 basis points YoY due to a higher revenue contribution from the lower-margin Zudio format. Strong revenue growth, aided by operating leverage on fixed costs, is expected to result in 40% YoY EBITDA growth. No dividend income is expected from the Inditex joint venture this quarter, as it remains volatile on a sequential basis.Aditya Birla Fashion and Retail Ltd. (ABFRL) is expected to report 8% YoY overall revenue growth, with Madura growing at 4.3%, Pantaloons at 7.0%, and the ethnic segment delivering 24.1% growth, also benefiting from the ramp-up of TMRW. Despite a relatively weak topline trajectory, EBITDA margins are likely to expand to 9.4% (an improvement of 107 basis points YoY), supported by better profitability in Pantaloons following the closure of loss-making stores, some margin expansion in Madura, and reduced losses in the ethnic wear businesses.
Diversified Financials	In the NBFC space, disbursements continued to show signs of moderation during 4QFY25, although a seasonal improvement in asset quality parameters offered some relief. Net interest margin (NIM) trends are expected to show signs of comfort, aided by better transmission and funding mix. The release of the draft report on the co-lending model (COM1) is being viewed as a structural positive for the sector, potentially paving the way for better risk-sharing frameworks between banks and NBFCs. While some stability has emerged in previously stressed segments—particularly unsecured loans and microfinance—a cautious undertone continues to pervade, with management commentary on the broader macro lending environment likely to remain guarded and measured. In Capital Markets, 4QFY25 marked another soft quarter, largely due to weak performance in the secondary equity markets. On average, broad equity indices declined by approximately 8% quarter-on-quarter, though net flows into capital market products remained robust, reflecting sustained investor interest. Within asset management companies (AMCs), the decline in equity average assets under management (AAUM) was more contained for HDFC AMC and Nippon Life AMC, supported by strong net inflows and relatively resilient fund performance. However, CAMS is likely to witness a more pronounced impact than KFin Technologies, due to its greater revenue dependence on mutual fund servicing, which has been under pressure. Angel One is expected to post weak earnings, as top-line pressures and elevated expenses continue to weigh on profitability. On the other hand, the credit rating business is likely to deliver a relatively better performance in the quarter, buoyed by mid-teens quarter-on-quarter growth in bond and commercial paper (CP) issuances. However, the outlook for non-ratings revenue streams remains uncertain, as demand visibility outside core ratings continues to be uneven.
Electronic Manufacturing Services	Aggregate net revenues for EMS (Electronic Manufacturing Services) coverage stocks are likely to record a robust 77% year-on-year (YoY) growth in 4QFY25. This performance is expected to be driven by strong demand for air conditioners (benefiting Amber) and the rising contribution from the mobile segment for Dixon. Among the B2B-focused names, steady domestic demand should support revenue momentum for Kaynes and Syrma, while continued recovery in the U.S. market is likely to bolster Avalon’s earnings. Cyient DLM is expected to post a strong performance in Q4; however, the ramp-down of the BEL contract is likely to pose challenges in the first half of FY26. For Kaynes, the recovery in smart meter volumes, along with improvements in margins and the working capital profile of this business, remains a crucial monitorable. For Cyient and Avalon, both of which have significant export and U.S. exposure, the health of the order pipeline will be particularly important given the backdrop of rising global uncertainty triggered by reciprocal tariffs .On the profitability front, EBITDA margins across EMS coverage are expected to improve by around 80 basis points quarter-on-quarter (QoQ), driven by stronger execution, a favorable product mix, and operating leverage. Margin expansion in 4QFY25 is likely to be led by Amber and Kaynes. For Kaynes, a sequential margin improvement of 110 basis points is anticipated, supported by a rising share of higher-margin aerospace and medical segments. Similarly, Amber is expected to witness a 113 basis point QoQ margin improvement, aided by economies of scale and a favorable shift in product mix toward components in the consumer durables segment. Going forward, the outlook for new client additions and the trajectory of order book growth will remain central to investor focus and management commentary.
Renewable Energy	A strong 4QFY25 is likely for solar manufacturing companies, supported by multiple tailwinds. The quarter is expected to benefit from robust demand, driven by the rapid pace of solar capacity additions across the country. Operational performance is also likely to be aided by the commissioning of new capacity by Waaree, which is expected to contribute meaningfully to overall volumes. Additionally, improving capacity utilization across the industry should provide operating leverage benefits. Module and cell pricing has remained stable during the quarter, further supporting revenue and margin visibility for manufacturers.

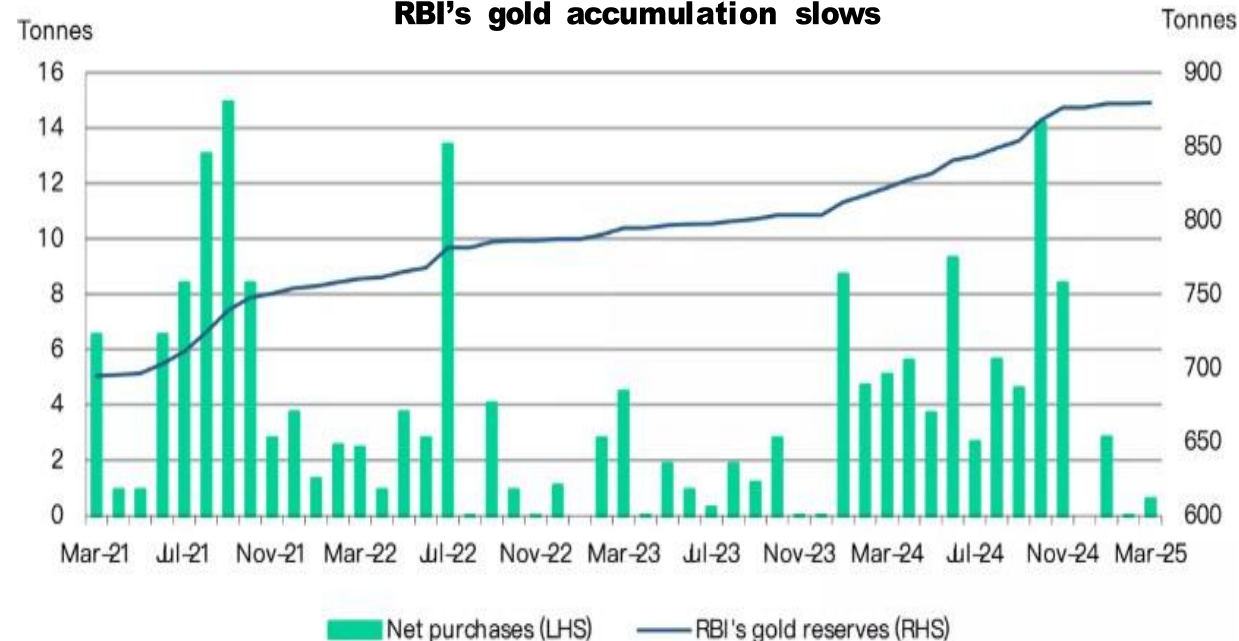
Sector	Outlook
Fertilizers & Agrochemicals	The fourth quarter is seasonally a slow period for the farm inputs sector, and the performance of agrochemical companies in 4QFY25 is likely to reflect this trend. The sector is expected to report another subdued quarter, with persistent pricing pressures and elevated channel inventory levels in India, further exacerbated by unfavorable weather conditions. In response, companies have adopted a more cautious stance on channel placement ahead of the upcoming Kharif season, given the continued overhang of high inventory across the distribution chain. Export markets also remain under pressure, although volume recovery is gradually taking shape. On the farm output side, prices of palm oil have remained firm during the quarter, which is likely to provide some offsetting benefit to select integrated players. UPL is expected to show the fastest earnings growth among peers; however, this improvement comes on the back of a highly depressed base in the prior-year quarter. Despite this optical growth, UPL is likely to fall short of its ambitious full-year EBITDA growth guidance of over 50% for FY2025. Godrej Agrovet (GAVL) is expected to deliver mixed performance. While the strength in palm oil prices should offer support, pressure in other business segments—namely Astec LifeSciences, dairy and poultry—could weigh on overall profitability. Rallis India is expected to report modest revenue and profit growth on a year-on-year basis, navigating a still-challenging demand and pricing environment. For Bayer CropScience, moderate revenue growth is anticipated; however, earnings are likely to decline YoY due to continued gross margin pressure, consistent with the margin compression seen through most of FY2025.
Gas Utilities	GAIL is likely to report a 1.7% year-on-year (YoY) decline in EBITDA for 4QFY25, although sequentially, EBITDA is expected to rise by 23% on a low base from 3Q. While the transmission, LPG/LHC, and petrochemicals segments may remain weak on a quarter-on-quarter (QoQ) basis, the marketing segment—coming off a particularly soft 3Q—is expected to stage a notable recovery and more than offset the impact from other verticals. For Petronet LNG (PLNG), adjusted EBITDA is expected to rise by approximately 10% QoQ and 19% YoY, aided by a 5% annual tariff increase at the Dahej terminal and lower operating expenses, which were elevated in the previous quarter. The quarter is also expected to include a provision of around ₹1.3 billion for past period use-or-pay charges, compared to ₹1.0 billion in 3QFY25. Gujarat State Petronet Ltd. (GSPL) is expected to report a 3.9% sequential increase in EBITDA, although on a YoY basis, EBITDA is likely to be lower by 47%, reflecting the full impact of tariff cuts implemented earlier. The reported PAT is expected to come in at ₹1.45 billion, down 44% YoY, primarily driven by the substantial tariff reduction for the high-pressure (HP) network starting May 2024. Among city gas distributors (CGDs), Indraprastha Gas Ltd. (IGL) is likely to report a 22% YoY decline in EBITDA, although sequential EBITDA is expected to improve by 12%. For Mahanagar Gas Ltd. (MGL), EBITDA is expected to be down 10% YoY but up 13% QoQ. Compared to 3Q, CGDs are expected to benefit from the partial reversal of the Administered Pricing Mechanism (APM) de-allocation starting mid-January and improved APM availability resulting from lower offtake in the fertilizer segment. Volume growth is projected at 8.2% YoY for IGL and 12% YoY for MGL, indicating a relatively healthier operational backdrop.
Internet Software & Services	In the Classified space, revenue momentum is likely to remain tepid for IndiaMART and Just Dial, while Info Edge is expected to register relatively better performance. For IndiaMART, revenue growth is projected at 14.6% year-on-year (YoY), supported by 0.7% YoY growth in the paying supplier base and a 13.6% YoY increase in average revenue per user (ARPU). A net campaign addition of 1.4k is modelled for 4QFY25, reversing the decline of 3.7k seen in 3Q, though this figure still falls below the FY2024 run-rate, primarily due to continued high churn in the silver-tier customer segment. EBITDA margin is expected at 41.4%, marking a sharp 1,120 basis point improvement YoY, led by ARPU expansion and a limited push toward new business investments. Employee and other operating costs remain contained, owing to the muted new customer acquisition drive, though a slight sequential uptick is possible. Just Dial is likely to report 8.8% YoY revenue growth, supported by 4.3% YoY growth in both paid campaign count and realization per campaign. Approximately 8,000 paid campaigns are estimated to have been added sequentially. EBITDA margin is expected to improve by 50 basis points quarter-on-quarter (QoQ), reaching 30.6%, reflecting positive operating leverage. For Info Edge, the Naukri business is projected to grow 14.0% YoY in revenues, while 99acres is likely to see 15.0% YoY revenue growth. Other verticals such as Jeevansathi and Shiksha are projected to post 15.3% and 4.9% YoY growth, respectively. EBITDA margin for Naukri is expected to be strong at 60.0%, while 99acres is expected to turn EBITDA positive with a margin of 2.8%, compared to losses in 4QFY24. Losses in the other segments are likely to narrow marginally. Among Platform Companies, strong revenue growth and margin expansion are expected, aided by market share gains and resilient demand. For Zomato, revenue for 4QFY25 is projected to grow 59% YoY. This includes 19% YoY growth in food delivery revenues—driven by 17% YoY GMV growth and the rest from an improved take-rate—84% YoY growth in Hyperpure, and 103% YoY growth in Blinkit, supported by a 116% YoY GMV increase. The significant GMV growth in Blinkit (11% QoQ as well) is attributed to aggressive store expansion, with a projected period-ending store count of 1,227. Contribution margin (CM) in the food delivery segment is likely to expand by 10 bps QoQ to 8.6%, resulting in an EBITDA margin of 4.3% as a percentage of GMV. Blinkit is expected to report an EBITDA loss of ₹2.5 billion, as profitability gains from mature stores are offset by the ramp-up costs of newly opened locations. For Swiggy, revenue is projected to grow 38% YoY, driven by 20% YoY growth in food delivery (with 19% GMV growth) and a robust 119% YoY growth in Instamart, underpinned by a 101% YoY and 20% QoQ GMV increase. This will be driven by aggressive store expansion, with a projected ending store count of 1,000. Contribution margin in the food delivery business is expected to expand by 20 bps QoQ to 7.6%, translating into a 2.6% EBITDA margin as a percentage of GMV. However, EBITDA loss for the Instamart business is expected to rise to ₹8.7 billion, significantly higher on a sequential basis, as the impact of new store losses and rising competitive intensity weigh on profitability. For Nykaa, overall GMV and revenue growth are estimated at 24% and 28% YoY, respectively, primarily led by strong performance in the beauty and personal care (BPC) segment, which is projected to grow GMV and revenue by 43% and 41% YoY, respectively. The fashion business is expected to deliver 12% GMV growth and 34% revenue growth YoY. The BPC segment now includes B2B sales, which are growing faster than core retail, although the core BPC segment itself is also expected to post solid performance. EBITDA margin is expected to remain flat sequentially at 6.2%, but this would imply a 60 bps expansion on a YoY basis, driven by improved operating leverage in the BPC segment and reduced losses in fashion.
Pharmaceuticals /Healthcare	Pharma is expected to post a strong 4QFY25, supported by stable US generic pricing and steady volumes, though domestic growth was sluggish in Jan-Feb. US sales are projected to grow 4% qoq, aided by new launches. API firms may see ~6% yoy growth driven by volume recovery. Hospitals are likely to report 16% yoy sales growth on higher footfalls and bed additions, with EBITDA up 20% yoy and margins improving 60 bps yoy.

Sector	Outlook
IT Services	The deterioration in the global macroeconomic environment is likely to weigh heavily on 4QFY25 results and FY2026E guidance across the IT services sector. All large-cap IT companies are expected to report sequential revenue declines for the March 2025 quarter, impacted by seasonal weakness, fewer billing days, and a marginal softening in overall demand. Additionally, account-specific headwinds could further pressure results for companies such as LTIMindtree. Despite the broader weakness, a few exceptions are likely to post resilient growth. Persistent Systems (PSYS) is projected to deliver a 3.9% quarter-on-quarter (QoQ) revenue increase, followed by Coforge with 3.1% and Mphasis with 2.8%, reflecting the benefit of strong deal wins and healthy bookings secured in prior quarters. However, engineering R&D (ERD) companies are expected to report weak numbers, with Tata Elxsi likely to lead the decline within this segment. Guidance commentary for FY2026 is expected to remain cautious, reflecting lingering macro uncertainty and tariff-related overhangs. Infosys is likely to guide for 1–4% revenue growth, while HCL Technologies (HCLT) may indicate a broader 3-5% growth range. Given the prevailing uncertainty, FY2026E growth may resemble FY2025E or even come in slightly lower. On the profitability front, EBIT margin performance is expected to diverge across companies, influenced by factors such as the timing of wage revisions and seasonal softness in certain verticals. On a year-on-year (YoY) basis, EBIT margins are projected to expand across most large-cap IT names, with the exception of TCS, which may report a decline. Mid-tier IT companies are likely to show more stable to strong margin performance, aided by benefits from the depreciation of the Indian Rupee and relatively stronger revenue growth trends. Among these, Persistent Systems (PSYS) is expected to stand out with superior margin expansion. The broader sector sentiment remains fragile due to growing concerns around U.S. tariff threats, which have already translated into slower decision-making and increased uncertainty in IT spending. The nearly 20% correction in the IT index from its recent peak appears to reflect these concerns. Nonetheless, assuming a no-recession scenario, several IT stocks present meaningful upside potential. The long-term revenue growth expectations embedded in current valuations—estimated at around 5-7% for many large-cap companies—appear reasonable given historical performance and structural growth tailwinds in digital transformation and cloud services.
Metals & Mining	In the Ferrous Segment, margins for steel companies are likely to expand sequentially by approximately ₹1,200 per ton in 4QFY25, driven primarily by a reduction in coking coal costs, higher flat product prices, and the benefit of operating leverage. Steel realizations across the coverage universe are expected to rise by around ₹300 per ton quarter-on-quarter (QoQ), supported by improved prices for hot rolled coil (HRC), though partially offset by a decline in long product prices during the quarter. On the cost side, a sequential decline is anticipated, largely led by easing coking coal input prices. Volume growth during the quarter is expected to remain flat on a year-on-year (YoY) basis, with a modest 2% QoQ uptick, supported by robust domestic demand that is somewhat counterbalanced by subdued export activity. In the Non-ferrous Segment, base metal companies are expected to report mixed trends in 4QFY25, reflecting the volatility in global commodity prices. Zinc and alumina prices fell 7% and 25% QoQ, respectively, in US dollar terms, while aluminum prices posted a marginal increase of 1.7% QoQ. These divergent pricing trends are likely to produce varied margin across the non-ferrous companies. depending on individual cost structures.
Real Estate	In the Residential Real Estate Segment, pre-sales momentum is likely to remain healthy in 4QFY25, supported by seasonal strength and an improved launch pipeline during the quarter. Aggregate pre-sales for the coverage universe are projected at approximately ₹310 billion, reflecting a marginal year-on-year (YoY) increase. Broader industry data also indicates strong traction in both launches and sales during the quarter, reinforcing the positive momentum in the residential market. In the Annuity Segment, commercial real estate owners are beginning to benefit from improved occupancy trends, following the December 2023 clarification regarding the partial denotification of SEZ areas. This regulatory shift has started to reflect in operational metrics, with improvements seen in rentals and earnings. The earnings recovery in 4QFY25 is expected to be supported by incremental rentals from newly leased spaces, in addition to regular rental escalations and mark-to-market (MTM) gains on new leases. Distributions from office REITs are also likely to witness gradual improvement going forward, in line with these underlying trends. The Hospitality Sector is expected to post strong earnings performance in the seasonally robust fourth quarter. Average room rates (ARRs) are estimated to have improved in the high single digits on a YoY basis, while occupancy levels for major listed players likely remained steady at around 75%. Industry-level data supports this outlook, with February 2025 recording all-time high room rates, indicative of strong travel and tourism activity during the quarter.
Specialty Chemicals	With the overall demand environment in the chemicals sector remaining relatively subdued, most companies are likely to report only modest quarter-on-quarter (QoQ) increases in operating earnings in 4QFY25, as volumes gradually recover from previously low levels. The extent of year-on-year (YoY) growth will largely depend on the base effect, given that many companies reported weak performance in the corresponding quarter last year. In certain cases—such as SRF and Vinati Organics—there has been a noticeable uptick in export volumes during the quarter; however, this improvement is believed to be at least partially driven by customer upstocking in anticipation of upcoming U.S. tariffs. As such, the true underlying demand dynamics are expected to become clearer in 1QFY26, once the short-term distortions subside.
Transportation	In the Air Transport segment, available seat kilometers (ASK) and revenue passenger kilometers (RPK) are likely to increase by 19% and 20% year-on-year (YoY), respectively, in 4QFY25, reflecting the benefit of improved passenger load factors, which are estimated to have reached approximately 87% during the quarter. In the Roads Segment, express parcel volumes are projected to grow by 5% YoY. This relatively modest increase comes off a lower base, primarily impacted by a decline in volumes from platforms such as Meesho and the shorter month of February, which reduced the number of operational days and thereby affected shipment volumes. In the Ports Segment, total cargo volume for 4QFY25 to date (January and February) has risen by 4% YoY. However, this aggregate growth masks pressure in key bulk categories—volumes of iron ore, thermal coal, and coking coal have declined by low to high teens. On the other hand, container volumes continue to post growth, albeit on a low base, offering some support to overall port throughput. For Inland Container Depots (ICDs), recent price cuts following the withdrawal of the prior year's busy season surcharge have weighed on revenue growth. This comes against the backdrop of tepid sequential volume performance by Indian Railways, limiting the potential for ICDs to post strong growth during the quarter.

Gold imports see strongest uptick in three months



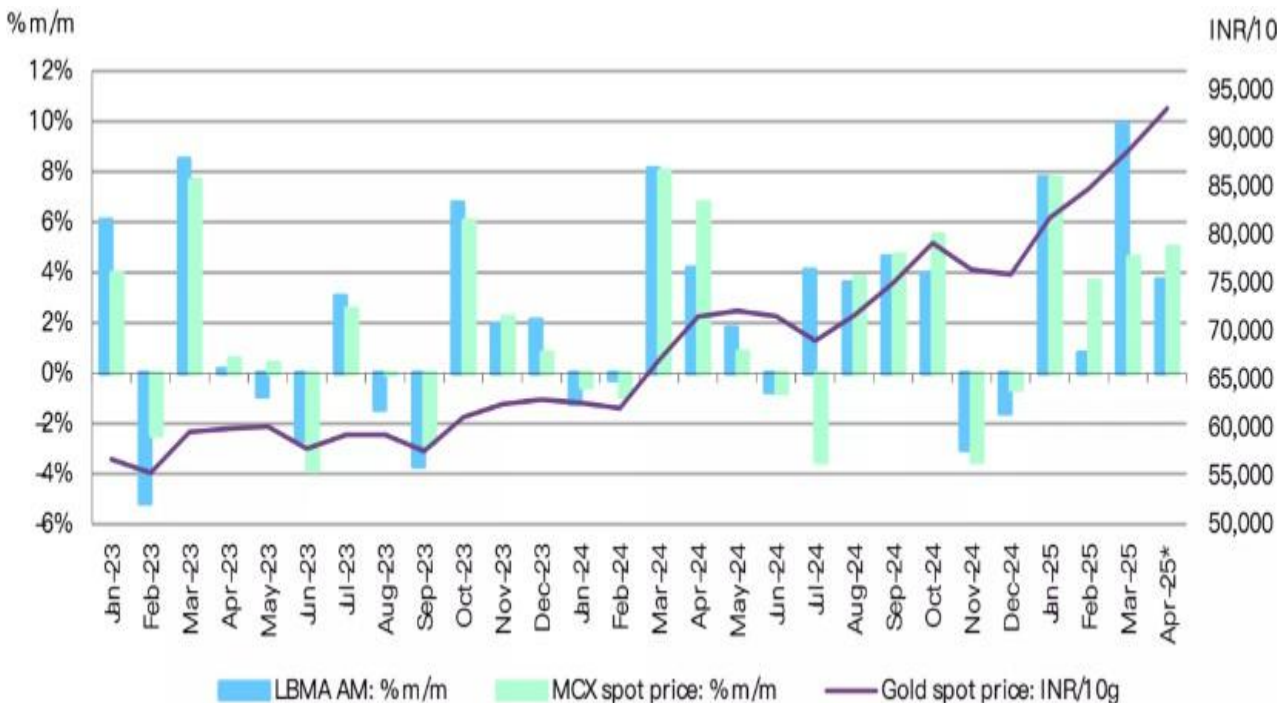
RBI's gold accumulation slows



The Modern Era Gold Rush

- China continues to **buy Gold to diversify their massive FX reserves and US Bond reserves**, as part of their '**de-dollarization**' program.
- Despite record high prices, gold imports **rebounded sharply in March and April** after two consecutive months of decline, the sharp uptick suggests a **resurgence in demand** and underscores a **continued interest in gold, even at elevated prices**.
- The RBI added a modest **0.6t of gold to its reserves** in March, resuming purchases after a pause in February. **This brings the RBI's total gold holdings to 879.6t, or 11.7% of its total foreign exchange reserves, the highest level both in quantum and share.** Over the past year, gold's share in the RBI's forex reserves has risen nearly 4%, reflecting a net addition of 57.5t to its holdings. Yet recent trends suggest a moderation in the central bank's gold buying. After consistently purchasing an average of 6.6t per month from January to November 2024, the RBI took a breather in December and February. And in January and March its purchases were notably below the previous monthly average. This recent pattern in gold purchases may suggest a more measured approach from the RBI.
- Whenever the US Fed has cut interest rates in the past, Gold prices have rallied. Going forward the US Fed is looking to cut interest rates, albeit not at the same pace as originally expected. This will provide further momentum to rising Gold prices.**

Monthly LBMA Price AM and domestic spot price changes and movement



Gold ETFs hit pause on inflows



Gold buyers turn selective

- **Gold's steep climb** and **ongoing volatility** are keeping many consumers on the sidelines, with demand for jewellery continuing to be limited to need based purchases, particularly for weddings.
- While festive buying has continued, it remains modest and localised, often tied to specific regions and communities. At the same time, **the investment appeal of gold is gaining prominence**. Anecdotal reports suggest that **demand for bars and coins has been resilient, even at high price levels**. Amid broader **financial market turmoil and uncertainty, gold's role as a store of value is becoming more pronounced, reflecting a shift in consumer behaviour from consumption-driven purchases to wealth preservation**.
- **Indian gold ETFs recorded modest net outflows in March**, following ten consecutive months of sustained, strong inflows. Despite the outflows, **assets under management (AUM) climbed to a record high**, driven by the surge in gold prices, while investor participation continued to grow as new accounts were added. **Investor interest in this asset class continues to grow with 0.13mn new investor accounts (or folios) added during the month**, bringing the total number of gold ETF investor accounts to a **record 7mn**. In the last twelve months **1.9mn folios were added to gold ETFs**.

Looking Ahead:

- **Seasonal and wedding related purchases may support gold demand this month and next. Investor interest is likely to strengthen as gold's appeal as a safe-haven asset and portfolio diversifier heightens amid global economic uncertainties and financial market volatility.**

Tailwinds

- India's strong government finances reflect underlying structural resilience, with both **fiscal and current account deficits as well as public debt levels remaining well-contained and manageable.**
- **Inflation easing** and well within the RBI's comfort level.
- The prevailing **liquidity surplus** enables effective transmission of anticipated **rate cuts**, which is expected to lower borrowing costs and catalyze a **revival in capex**
- **Consumption boost** in the Budget, which is likely to show up in the Q4 GDP numbers.

Headwinds

- **Subdued earnings** due to **slowing urban consumer demand & US tariff uncertainty.**
- **Valuations remain elevated, particularly in the Mid and Small Cap segments**, though the exuberance has moderated considerably compared to six months ago.
- **Geopolitical uncertainty** with Israel-Palestine and Russia-Ukraine conflicts lingering on.
- Uncertainty over **Trump's impending trade policies.**

Outlook

- **Heightened Volatility with an Upward Bias**

Suggested Strategy

➤ *Marginally Underweight Equity*

Category	Stance
Large Cap	Neutral
Mid Cap	Underweight
Small Cap	Underweight

➤ *Neutral Gold*



Debt Outlook



Yields & Spreads



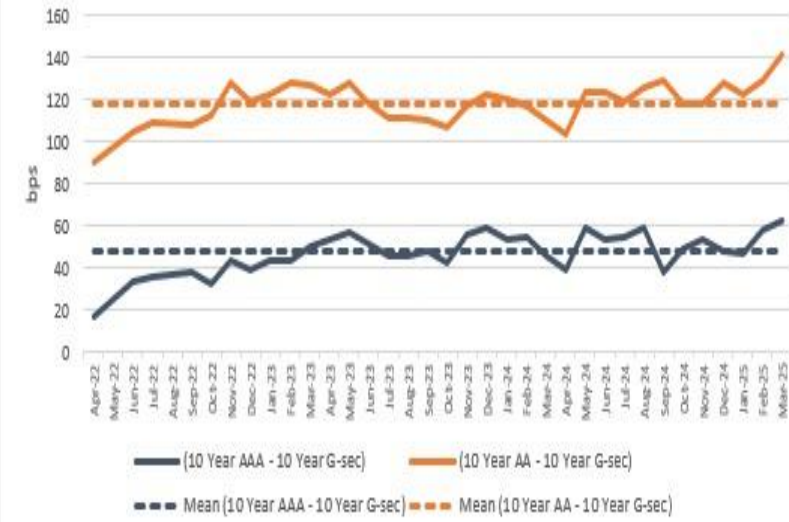
3 Year Spreads



5 Year Spreads



10 Year Spreads



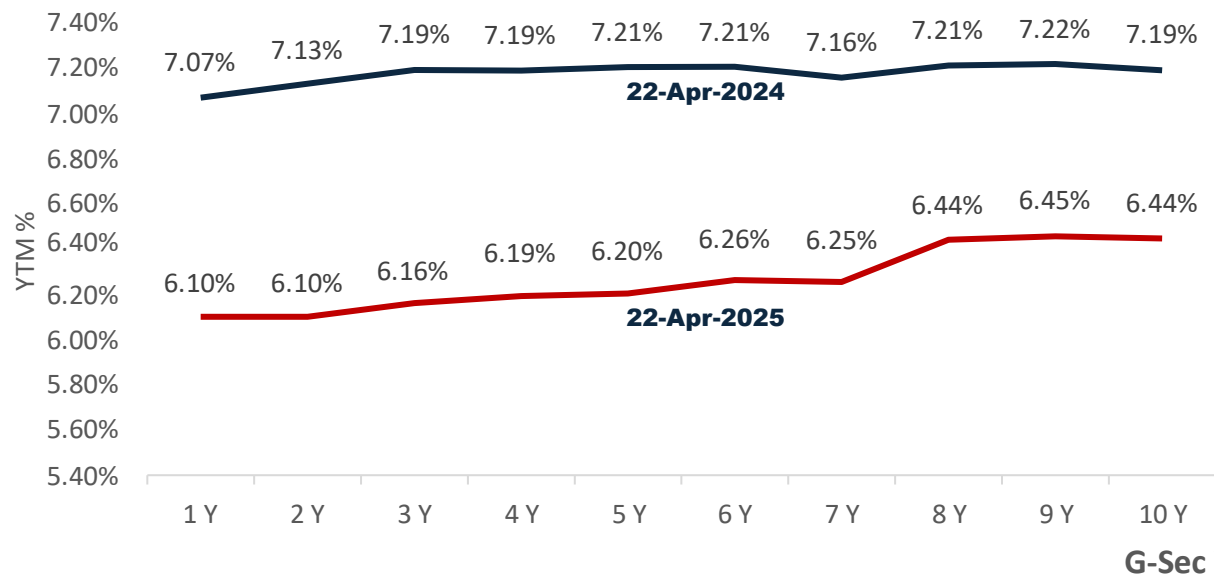
The **spreads** between high quality and high yield papers have **been rising**, and **still remain above the long run average**, hence investors should be selective while choosing high yielding papers to gain proportionate risk premium. Cooling yields at the long end of the yield curve are providing impetus to returns from a duration strategy.



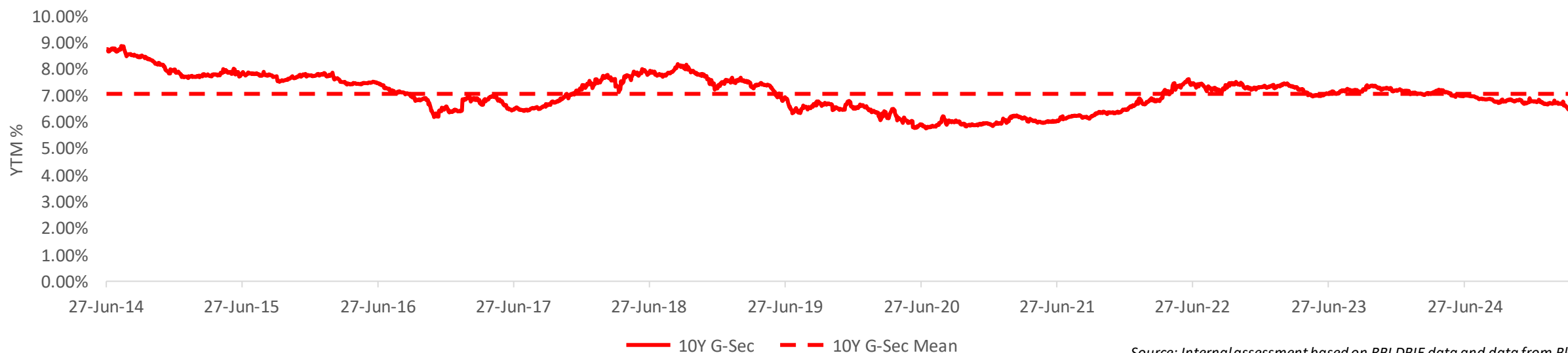
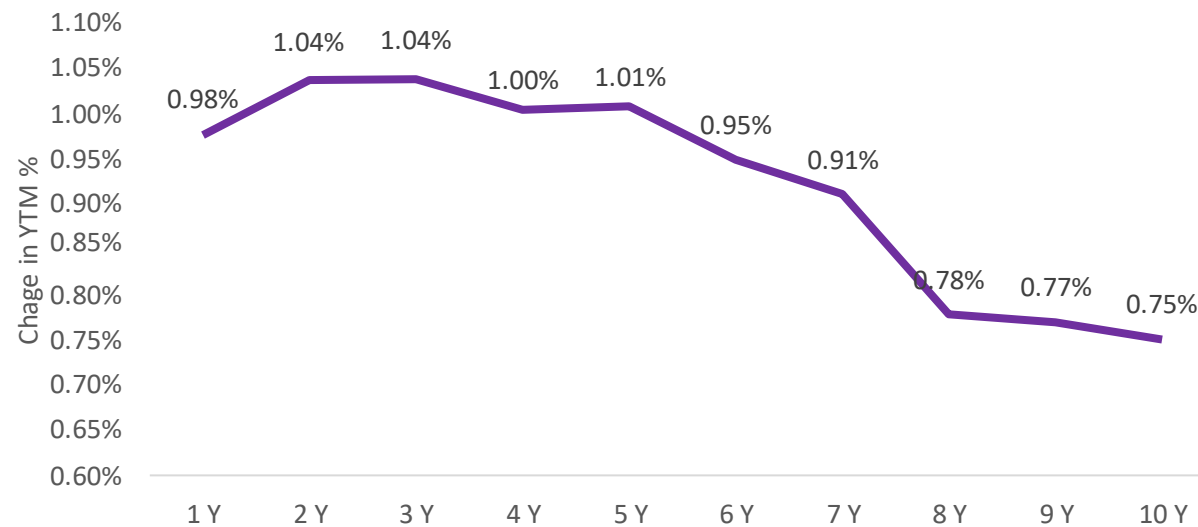
Yields Curve Dynamics



Change in Yield Curve



10Y GSec 1Y Delta - Bull Steepening





Debt Market Outlook



RBI Policy: Strong Focus on Growth Over Inflation

- ❖ The RBI's Monetary Policy Committee (MPC) in April 2025 cut the repo rate by 25 basis points to 6% and changed its stance to 'accommodative'. This signals a **major shift towards supporting economic growth now that inflation appears to be under control**. Food inflation pressures have eased significantly with falling vegetable prices and a better rabi harvest. Inflation expectations, both for 3 months and 1 year ahead, have sharply declined, and recent declines in global oil prices have strengthened RBI's confidence that inflation will stay aligned to the 4% target over the next year. At the same time, global trade uncertainties – triggered by aggressive US tariffs – are emerging as fresh risks to growth. Thus, RBI is now more concerned about growth risks than inflation risks, and its stance clearly indicates that in the coming meetings, either rates will stay on hold or could be cut further if needed. The change in stance improves visibility for bond investors as the focus is now entirely on nurturing recovery.

Global Developments: Tariffs, Dollar Moves, and China's Currency Strategy

- ❖ At the global level, the environment has turned very complicated. The US has imposed heavy tariffs, much higher than markets expected, leading to fears of both slower growth and higher inflation. The US Fed will have to balance these risks carefully – a growth shock could cause unemployment to rise, even though inflation may not fully under control yet, largely due to the direct effect of higher tariffs. **Markets are currently pricing in almost 5 rate cuts from the Fed over the next year, however the Fed will be closely monitoring the persistently stagnant and fragile unemployment rate, the supposedly transient nature of impending inflation, and the weakening demand as a second order effect of higher tariffs.** Market chatter has re-emerged over the past few days that **China may devalue the yuan** in retaliation to the hefty trade-tariffs imposed on it by the US. This will be to try and shore up some export competitiveness as a part offset to the tariffs. This is **important for us to evaluate since any sudden and substantial weakening of the yuan may put pressure on the rupee as well with consequent implications for capital flows to us and the impediment it poses to transmission of RBI's easing. However, drawing from what was seen in the previous episode of policy driven devaluation ten years back, we think this is highly unlikely.** Over the period following that episode, there had been large scale capital outflows from China that took a long time to stabilize. Thus, a repeat of this risk will have to be actively weighed against any trade benefits from an active devaluation. It is to be noted that we are drawing a distinction here between policy driven devaluation versus some currency weakening as per usual market dynamics.

Room for RBI: Easier Conditions to Support Growth

- ❖ The RBI's reaction function appears increasingly transparent and predictable. Unlike the situation in the United States, India currently faces no real trade-off between growth and inflation, at least in the near term. This gives the **central bank the latitude to prioritise growth more assertively**. The narrowing of the India-US interest rate differential, often cited as a constraint, seems less binding than perceived. Over recent years, market behaviour has demonstrated that global investors are willing to accept lower yield differentials in economies with strong macroeconomic management. This shift reflects a broader reset in fiscal and inflation expectations in the US – an adjustment well-recognised by global capital allocators. In this context, **it is essential that India continues to make judicious use of its available monetary policy space**. This becomes particularly important **given the government's commendable commitment to a conservative fiscal path. Achieving medium-term fiscal credibility will yield long-term macroeconomic dividends**, and we believe policymakers fully recognise this. That said, in the event of a cyclical slowdown, some degree of fiscal slippage may materialise passively, mainly through reduced tax buoyancy. Such an outcome should be viewed as cyclical and not met with aggressive expenditure compression, especially when the broader economy is already losing momentum. However, barring a material shock, we do not see merit in active fiscal expansion at this stage. All things considered and **acknowledging the evolving contours of global growth, we now expect the terminal policy repo rate to settle at 5.50%. We also anticipate that the RBI will remain highly proactive in managing system liquidity**, maintaining a durable surplus in the range of 1–2% of NDTL, which should support monetary transmission and market confidence.



Debt Market Outlook



Conclusion: April 2025 Debt Market Outlook

- ❖ To state the obvious, the current global developments represent an **intensification of a de-globalization trend** that began several years ago. However, the present escalation is so sharp and sweeping that it almost **inherently rules out a return to "business as usual."** As such, the current tariff regime likely has a limited shelf life. That said, even if we do see **some degree of de-escalation, the broader environment of uncertainty is expected to persist, continuing to weigh on global growth and dampening private sector investment sentiment.** In this context, domestic policy predictability becomes a valuable counterbalance. For investors, this creates a relatively favourable environment for fixed income, despite occasional volatility driven by global factors. Given this backdrop, we believe **investors should focus on managing reinvestment risk through thoughtful duration strategies. Importantly, they should align these strategies with their tolerance for near-term volatility.**

Suggested Strategy:

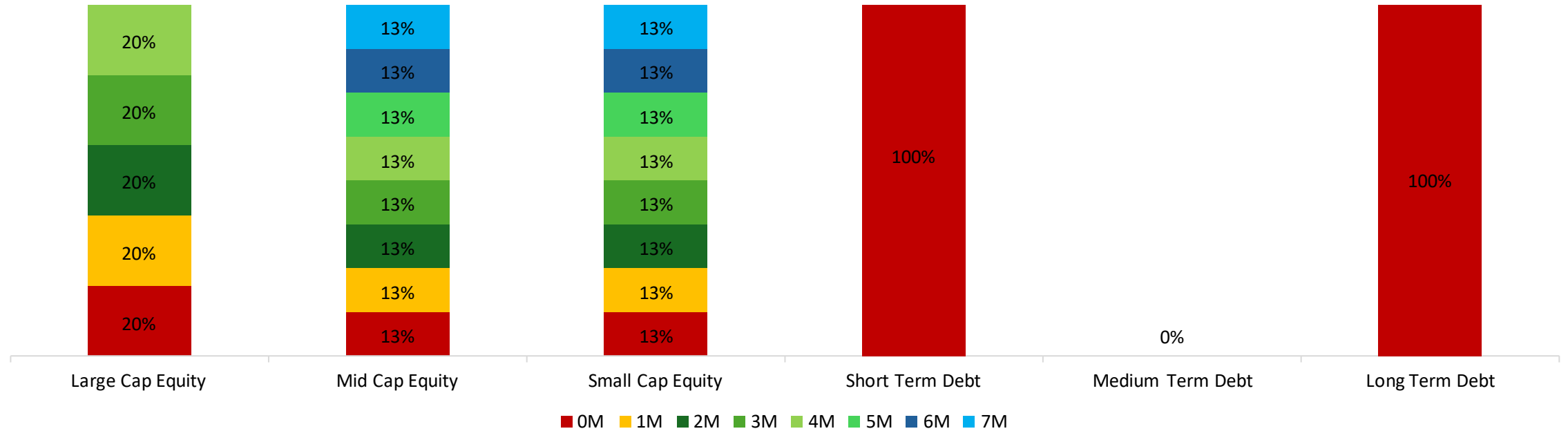
- ❖ *Investors should remain vigilant, balancing near-term curve volatility against opportunities in both the short and long ends of the yield curve. A Barbell strategy with larger allocation to longer duration 10yr+ GSec/AAA bonds and a smaller satellite allocation to very short term bills in lieu of the impending rate cuts. This strategy has a 3 pronged advantage, in anticipation of bull steepening of the 1-10Y or 1-20Y yield curve – (i) cutting out reinvestment risk thus locking in a TMF (Target Maturity Fund) at a higher yield (ii) Increased duration benefit at the longer end of the yield curve (iii) Capital appreciation from the anticipated softening of yields at the lower end of the yield curve. Exposure to credit risk is not warranted at this juncture, given the current risk-reward dynamics.*
- ❖ *Stance: Marginally Overweight Long Duration Debt.*



Deployment Strategy



Stages of Deployment



Indicators:

Indicators signaling over heated market conditions –

- VIX at 16-17 levels
- Market Cap/GDP for Large Cap and Mid Cap Indices well below their LTA's signaling lofty valuations
- Private Capex subdued for now
- TTM PE for SMID Caps Indices still above their LTA
- FII's have been net sellers since Oct due to depreciating rupee and un/less profitable carry

Indicators signaling fair valuation -

- Services Exports and Imports signaling a possible favorable reversal in domestic demand
- TTM PE for Large Cap is favorable and Market Cap/GDP for Small Cap is close to its LTA
- DII activity
- Liquidity surplus

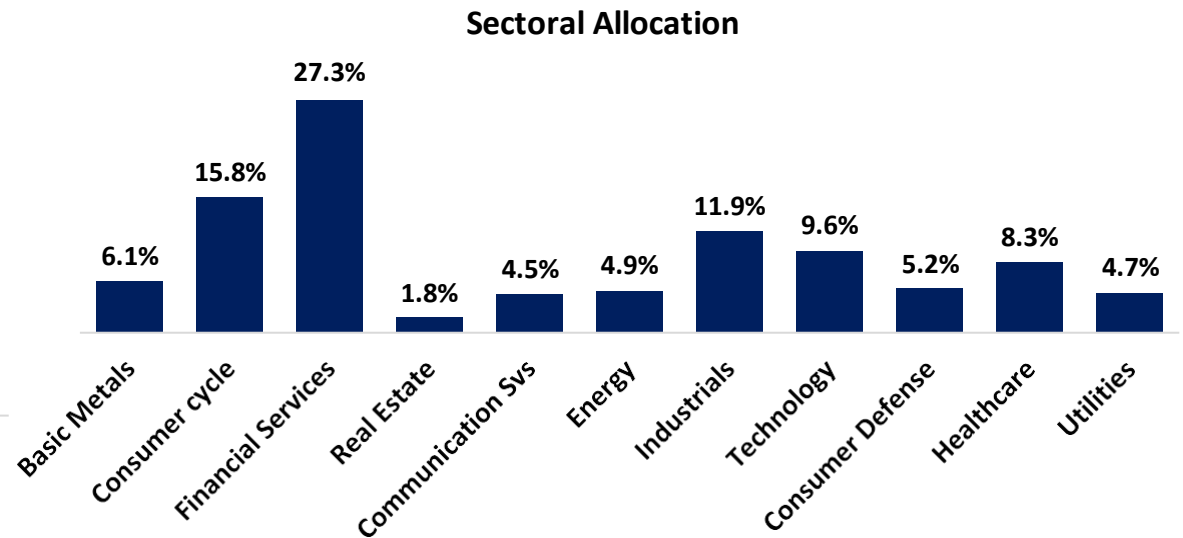
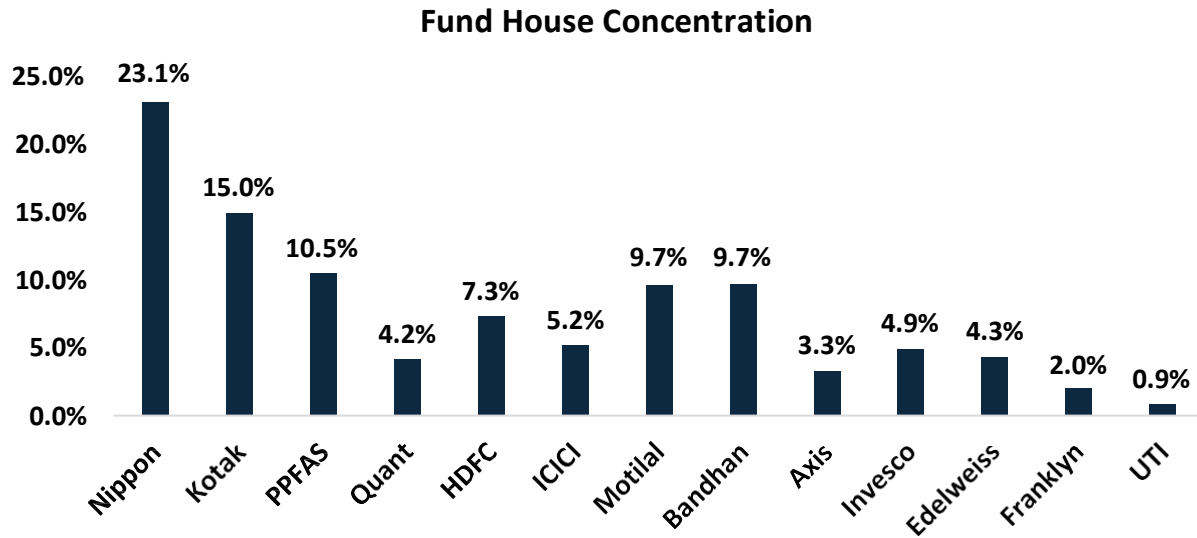
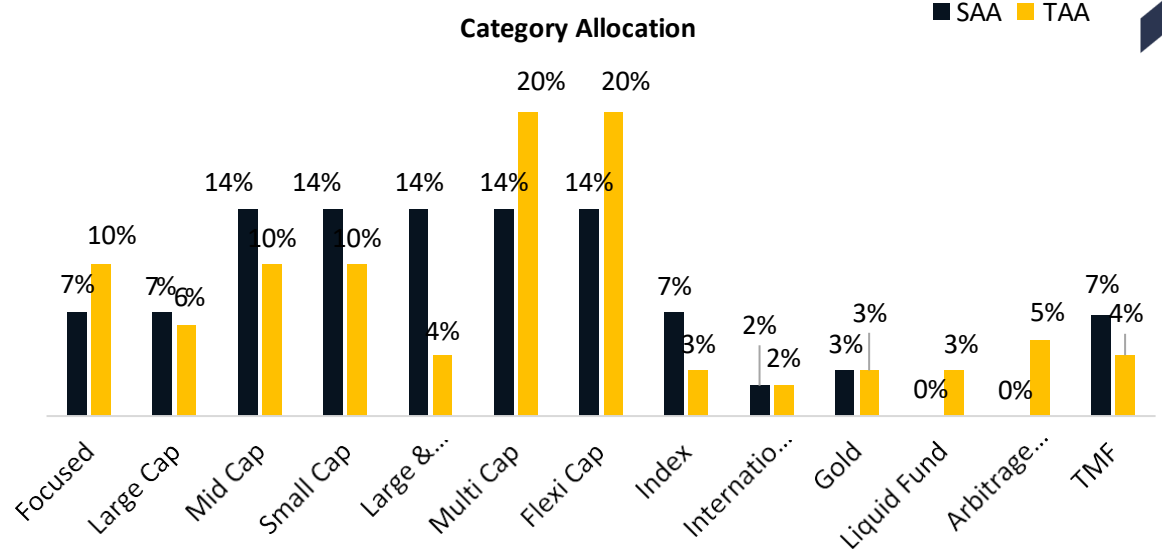
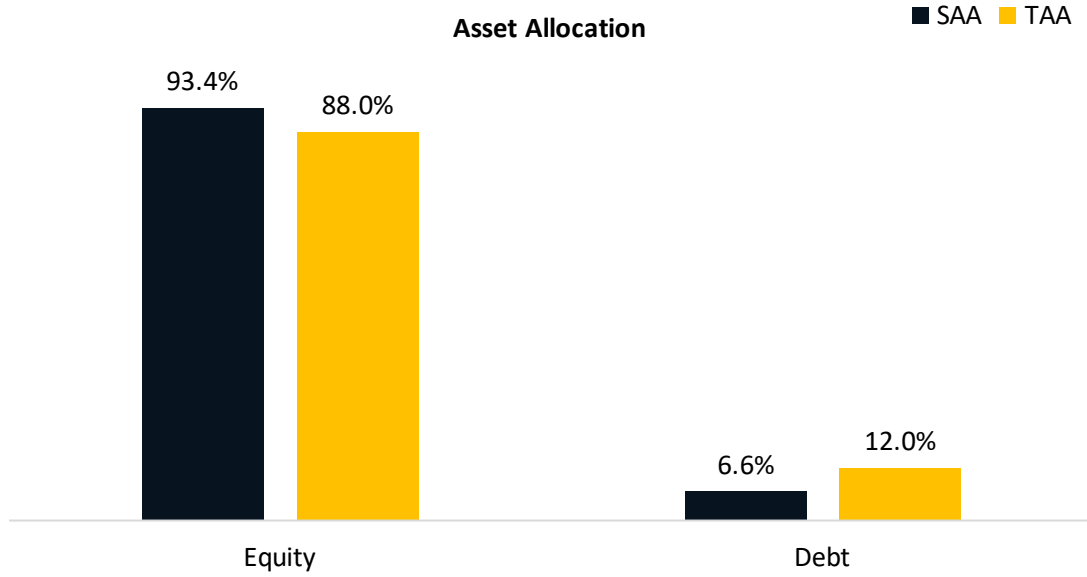
Deployment Strategy:

Staggered Deployment over the next 10 months -

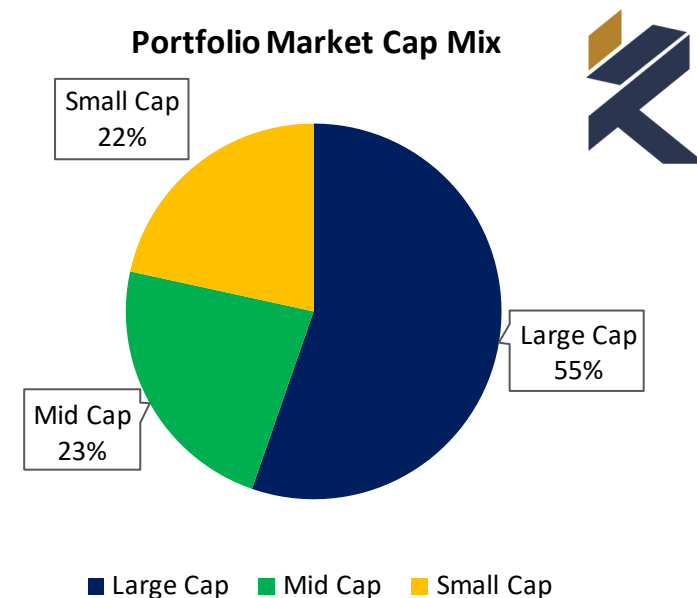
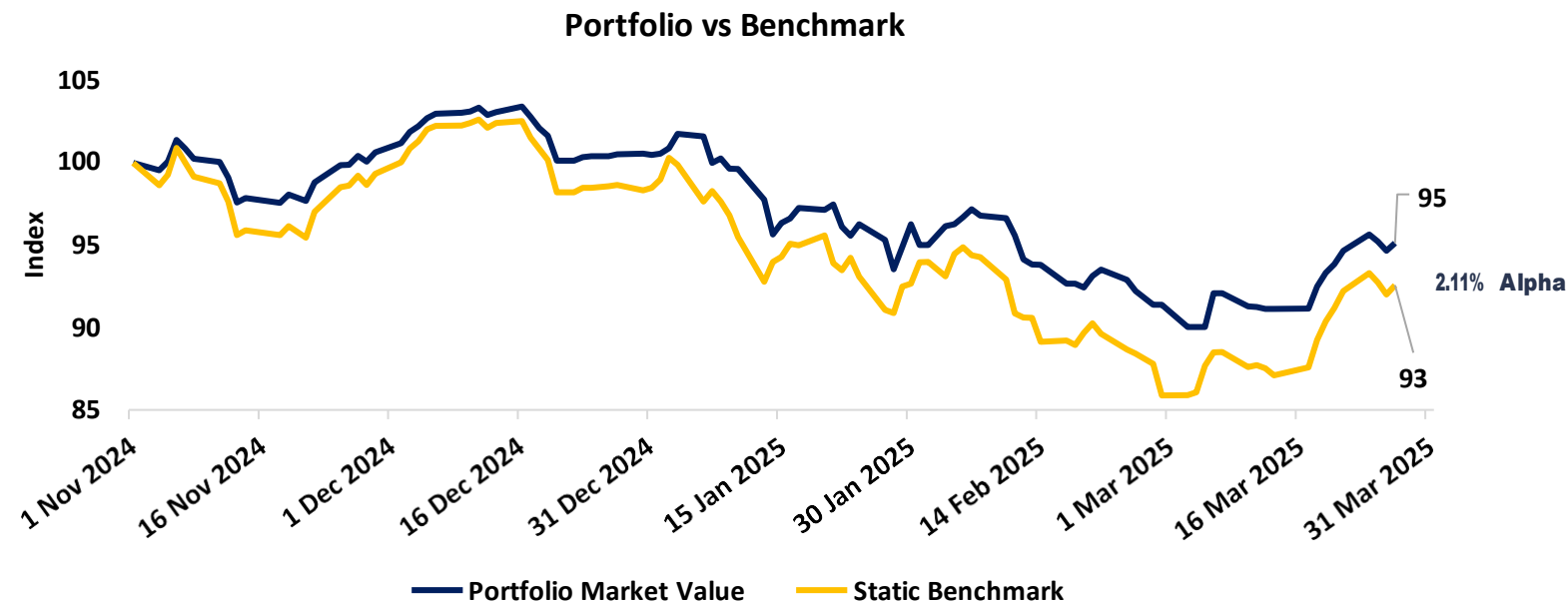
- Large Cap - 20% immediate deployment and 20% in each month in the next 4 months
- Mid Cap - 13% immediate deployment and 10% in each month in the next 7 months
- Small Cap - 13% immediate deployment and 10% in each month in the next 7 months
- Short Term and Long Term Debt - 100% immediate deployment (Barbell strategy)

Optimus Prime Model Portfolio





**SAA - Strategic Asset Allocation & TAA - Tactical Asset Allocation, Commodity and International Allocation considered as Equity Allocation, Arbitrage Funds & Liquid Funds Allocation considered as Debt Allocation, and is temporarily parked for the short term and will be deployed opportunistically, Portfolio Inception date - 1st November 2024, Portfolio values are as on 30th April 2025, Returns under 1 year are absolute and returns over 1 year are annualized. The benchmark indices for each fund are carefully selected to align with their respective investment objectives. The benchmark weights remain static as per the SAA. The constituent benchmarks and their respective weights are: NSE 500 India TR INR - 36.00%, NSE 100 India TR INR - 11.80%, NSE Midcap 150 TR INR - 15.60%, NSE Smallcap 250 TR INR - 15.60%, NSE 200 India TR INR - 13.60%, NSE 50 TR INR - 0.80%, NIFTY 11-15 YR G-SEC INDEX - 6.60%. All returns are pre-tax and pre exit load if applicable in the Model Portfolio. Optimus Prime Model Portfolio is an Aggressive portfolio strategy*



Portfolio Performance Analytics

Analytics	Portfolio	Benchmark
Absolute Return %	-2.64%	-4.75%
Standard Deviation (annualized)	12.66%	17.35%
Beta	0.79	
Alpha	2.11%	
Information Ratio	2.25	
Downside Capture	61.05	

Asset Allocation Alpha	Product Selection Alpha	Timing	Total Alpha
0.56%	2.17%	-0.62%	2.11%

Debt Portfolio Analytics

Debt Measures	Apr-25
Average MoD	6.6
Average Maturity	5 yrs
Average Coupon	NA
Average YTM	7.1 %

Average Credit Rating	Apr-25
AAA	100%
AA	0%
A	0%

*SAA - Strategic Asset Allocation & TAA - Tactical Asset Allocation, Commodity and International Allocation considered as Equity Allocation, Arbitrage Funds & Liquid Funds Allocation considered as Debt Allocation, and is temporarily parked for the short term and will be deployed opportunistically, Portfolio Inception date - 1st November 2024, Portfolio values are as on 30th April 2025, Returns under 1 year are absolute and returns over 1 year are annualized. The benchmark indices for each fund are carefully selected to align with their respective investment objectives. The benchmark weights remain static as per the SAA. The constituent benchmarks and their respective weights are: NSE 500 India TR INR - 36.00%, NSE 100 India TR INR - 11.80%, NSE Midcap 150 TR INR - 15.60%, NSE Smallcap 250 TR INR - 15.60%, NSE 200 India TR INR - 13.60%, NSE 50 TR INR - 0.80%, NIFTY 11-15 YR G-SEC INDEX - 6.60%. All returns are pre-tax and pre exit load if applicable in the Model Portfolio. Optimus Prime Model Portfolio is an Aggressive portfolio strategy



Current Investment Portfolio Stance: Conservative



At the most recent Investment Advisory Committee meeting, it was unanimously agreed to maintain a **conservative investment approach, with a measured tilt towards a moderately pro-risk stance**. This decision reflects the committee's ongoing caution **amid global macroeconomic uncertainties, especially surrounding the evolving tariff regime** introduced under President Trump's administration, which is expected to lead to heightened market volatility and a subdued return environment.

As a result, the portfolio's equity allocation **remains underweight at 5.4%, marginally up from 7.4% underweight in the previous month**. Within equities, we continue to hold a **~10% underweight position in Mid and Small Cap segments**, aligning with our risk-controlled framework.

The shift of global capital flows towards safe haven assets such as Gold underscores investor risk aversion and validates our cautious stance. Domestically, the **softening trajectory in urban consumption** trends, **muted Gross Fixed Capital Formation in the private sector**, and signs of a broader global slowdown further reinforce our view that equity return expectations for CY 2025 should be tempered. Recent **earnings downgrades** during the ongoing result season provide additional evidence of earnings pressure.

Nevertheless, our **medium-to-long-term outlook on India remains constructive**. We take comfort in the country's **robust fiscal position and external current account balances, well-anchored inflation**, and **sufficient liquidity surplus** in the banking system, all of which create a conducive backdrop for effective transmission of upcoming rate cuts. **Corporate India also appears well-positioned, with healthy balance sheets and low leverage**, enabling them to benefit from a future cyclical recovery.

Despite the prevailing volatility, our current positioning has delivered favorable results. The portfolio generated a strong **Alpha of 2.11%**, driven primarily by **Product Selection Alpha in the Mid and Small Cap space and a healthy Asset Allocation Alpha at the short end of the yield curve**. Importantly, the portfolio has maintained a **Beta of 0.79**, an **Information Ratio of 2.25**, **highlighting strong risk-adjusted performance**. With a **Downside Capture of approximately 60%**, **the portfolio displays effective downside protection** relative to the benchmark in a general bear market.

Going forward, the committee will continue with the current stance until there is visibility on **domestic demand recovery and greater clarity on global tariff developments**. Asset allocation will be reassessed in line with evolving macro and market conditions.

Our near-term priority remains firmly on **capital preservation** and the **generation of consistent Alpha**, amidst what continues to be a highly uncertain and challenging investment environment.



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THANK YOU



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