KILIKA CAPITAL

Embracing complexity to capture Alpha

April 2025

Dear Investors,

India stands at an intriguing juncture today, driven by significant structural tailwinds, most notably our favorable demographic dividend. This demographic advantage ensures that India's growth trajectory remains positive, though, as the renowned investor Ruchir Sharma aptly put it, India tends to disappoint both the optimist and the pessimist. In alignment with this perspective, I foresee India continuing to grow at a stable yet moderate pace.

At the heart of market growth lies Corporate Profitability, a metric currently hovering around 6% of GDP, similar to its pre-Global Financial Crisis levels. Going forward, I find little scope for margins to improve, given that corporate balance sheets today carry remarkably low leverage, hence it appears unlikely that corporate profits will significantly outpace nominal GDP growth by a large margin. Moreover, India's nominal GDP growth has moderated, not due to a slowdown in real growth but primarily due to structurally lower inflation levels or a lower GDP deflator. What has changed in all these years is the gap between India and US inflation. This inflation differential has gradually moved from around 4 to 6%, down to 2 to 2.5%. With increasing global trade in addition to India's stringent inflation-targeting policies adopted by the central bank, combined with the slower-than-anticipated pace of quantitative tightening by the US Federal Reserve, have gradually brought Indian inflation rates closer to global averages. With sustainable nominal GDP growth projected at around 10-12% annually, corroborated by stable GST revenue growth of approximately 9-10% per year, a realistic expectation for corporate profit growth aligns closely within this band. Consequently, overall market growth is also expected to track this pace. It is also interesting to note that India does not have any nonlinear genuinely R&D driven innovative businesses, so unlike the US, where profits have grown far faster than their economic growth, in India that seems quite unlikely.

Turning to equity markets, the past few quarters have witnessed a meaningful correction, bringing forward P/E multiples of the Nifty, down approximately 25% to around 17x, close to its historical long-term average. This valuation appears justified considering India's structurally lower inflation and reduced cost of capital, both of which have converged closer to global norms. Thus, an expectation of around 10-12% annual profit growth coupled with a 17-18x P/E multiple appears reasonably balanced and sustainable.

Although a 10-12% growth rate might not seem very exciting to an Indian investor, but let's not forget that the high returns witnessed in the past 2 to 3 years were not because of higher nominal GDP growth rates, but primarily because of a much lower base set during the Covid, and a low base is not a good enough reason to extrapolate the same high returns into the future. On a market cap basis, the small and medium size companies have massively outperformed the large caps in the past 4-5 years. During the Covid period, as with every bear market or crisis, small and mid-cap stocks experienced sharper declines compared to large-cap stocks. This typically happens because investors, in times of uncertainty, prefer the relative safety and stability of larger, more established companies over smaller, riskier ones. Hence when the economy normalized, small and mid caps grew from a much lower base as compared to large caps and looking at such high growth rates, more participants entered the markets, and the market outpaced actual profitability, which is exactly what happened in the small and mid cap categories.

Once the market realized this, it corrected closer to it's long-term averages. Going forward, the significant outperformance of small and mid-cap stocks relative to large-cap stocks is unlikely to continue. Frothy valuations across market caps have led promoters of businesses to dilute their equity via IPO's, QIP's, OFS etc across market caps. The stake of private promoters which was ~46% four years back is under 40% today. This massive capital raising came at the cost of lower capex growth.

Another reason for the run up was narrative-driven, shaped significantly by themes such as China+1, renewable energy, and electric vehicles. While these narratives hold merit fundamentally in the long run, markets in a typical bull run tend to rapidly price in excessive optimism and expectations. Over time, as economic conditions normalize, valuations usually realign closer to underlying fundamentals and empirical data.

With equity markets now correcting and inching closer towards their long term average multiples, I think this is one of the most boring markets that I have experienced, because no matter which sector I look towards, it appears to be reasonably fairly valued. It was the other extreme during Covid where they were expensive sectors and there were sectors that were dirt cheap. But in the last five years most of these excesses have been corrected. There seems very little dispersion in valuations across market sectors presently. Either way it's a very challenging environment for active managers because people like me hope to make a living by outperforming the markets which is possible when you see excesses in the marketplace. So presently, markets in my opinion, support a fairly diversified investment portfolio, across strategies, across market caps and across sectors, and this is where is where the Alpha lies – in Asset Allocation. And echoing Warren Buffett's wisdom, "Markets are instruments that transfer wealth from the impatient to the patient".

In essence, our current guiding principle is - "Strategic Asset Allocation with a Long-Term Focus."

Best regards,

Siddharth Jadeja

Investment Strategy Report

Contents

01

AboutUS

02

Ecofiomic Outlook

03

Equity Outlook

04

Debt Outlook

05

Deploymefit Strategy

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 thought 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

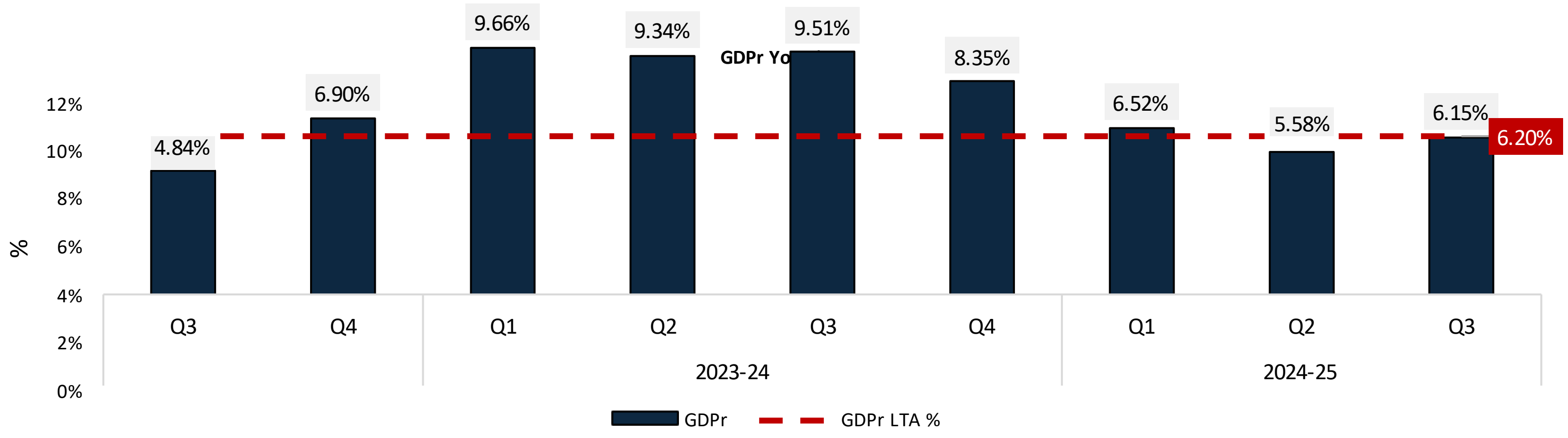
Meet Piyush Sharma, our research lead and the youngest brain in the room—but don't let that fool you. Armed with an MBA and a flair for creativity, Piyush lives and breathes financial models. Whether it's running a Monte Carlo simulation, dissecting a mutual fund, creating a portfolio company DCF model, 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!?

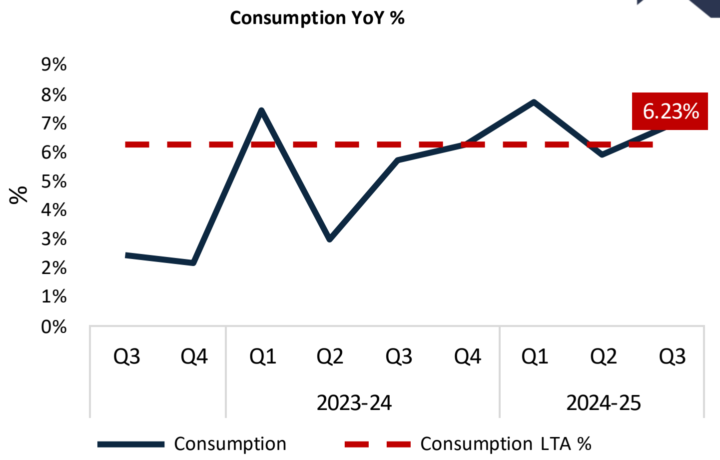
Together, we're not just a team; we're partners in your financial journey. We bring experience, attention to detail, and a touch of creative flair to everything we do. Whether it's

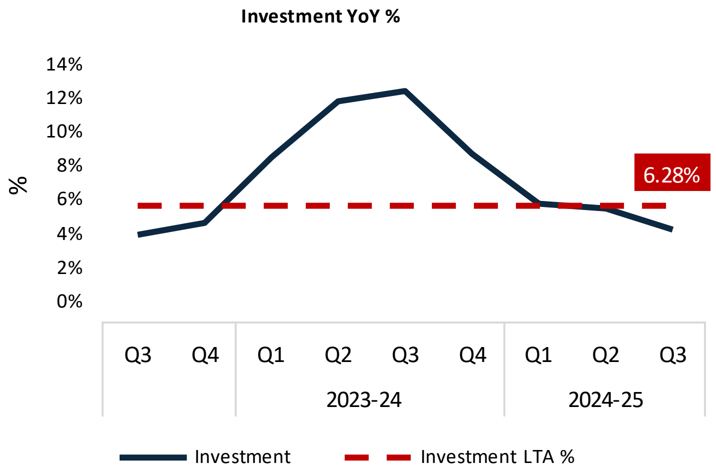
operations, research, or strategy, rest assured—we've got your back. After all, when we win, you win. And we're in it for the long run.

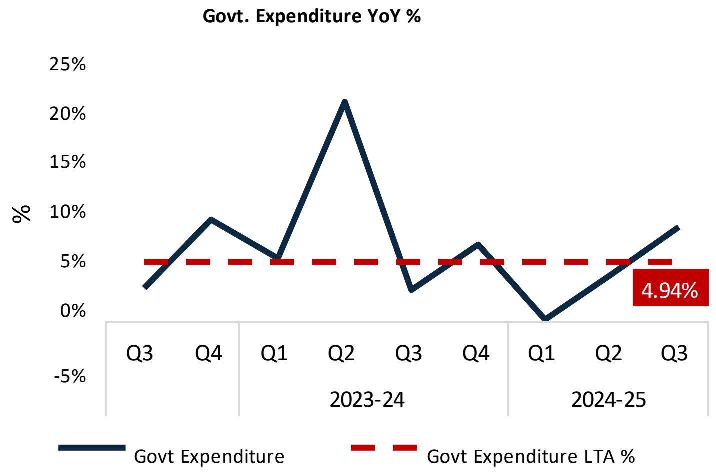
Macro-Economic Outlook

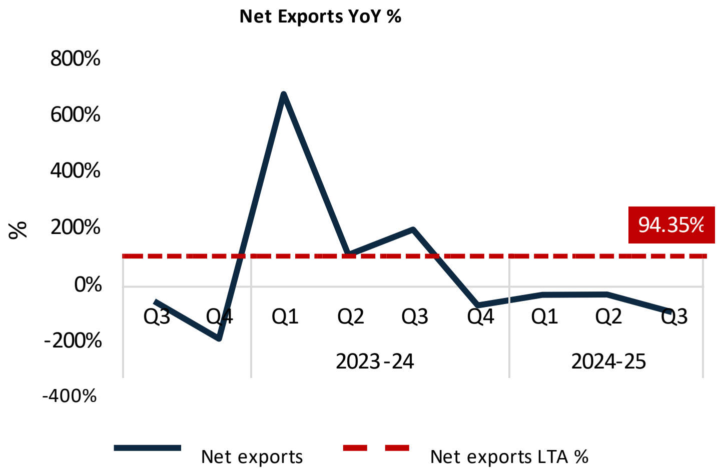
1. GDP (Gross Domestic Product)





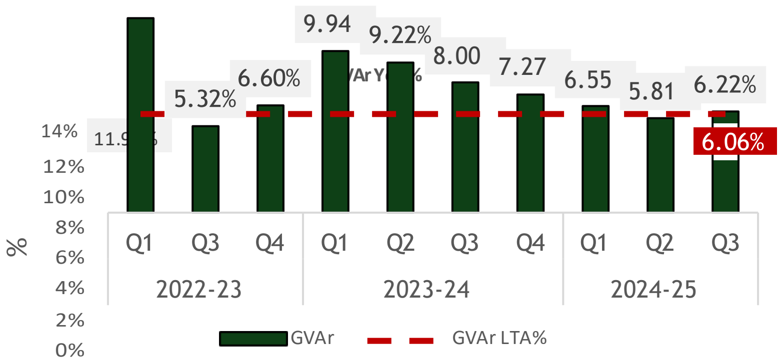


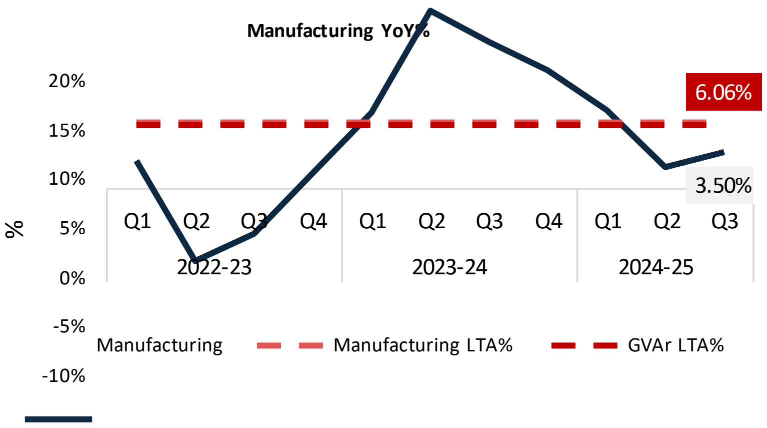


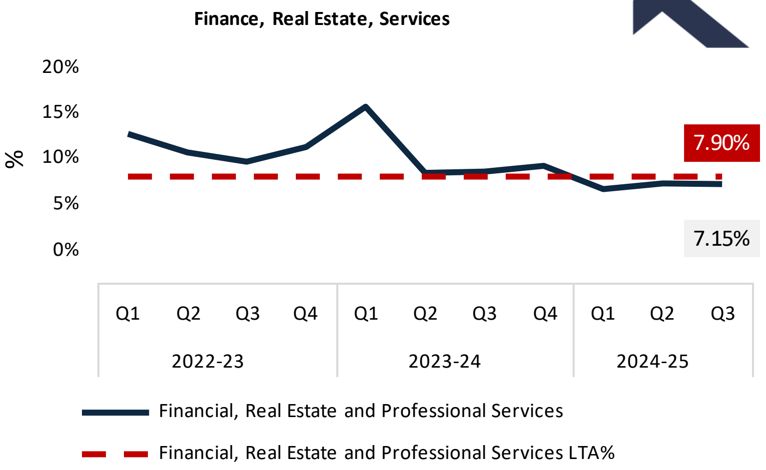


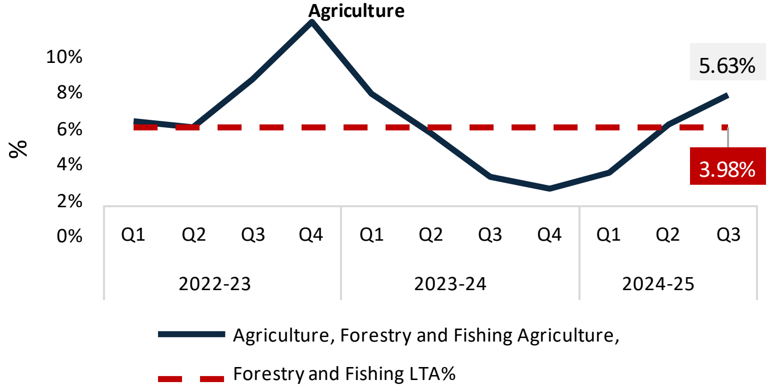
Source: Internal assessment based on RBI DBIE data

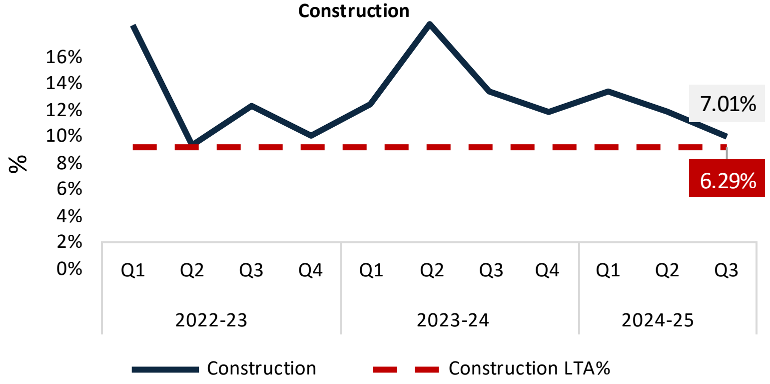
GVA(GrossValueAdded)

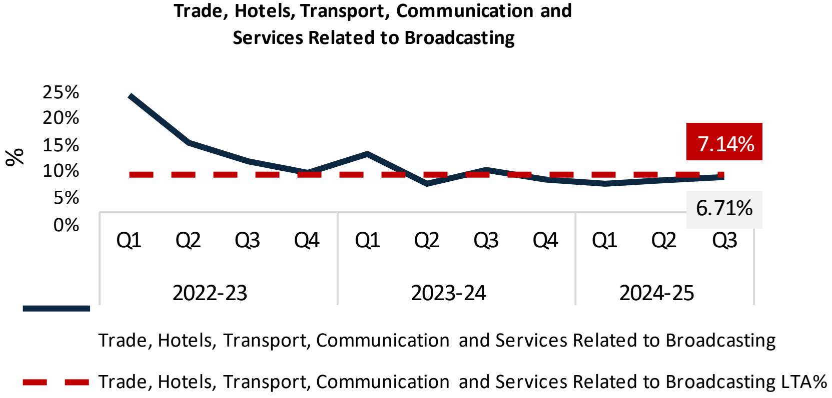












Source: Internal assessment based on RBI DBIE data

Gradual Pickup in Growth Momentum

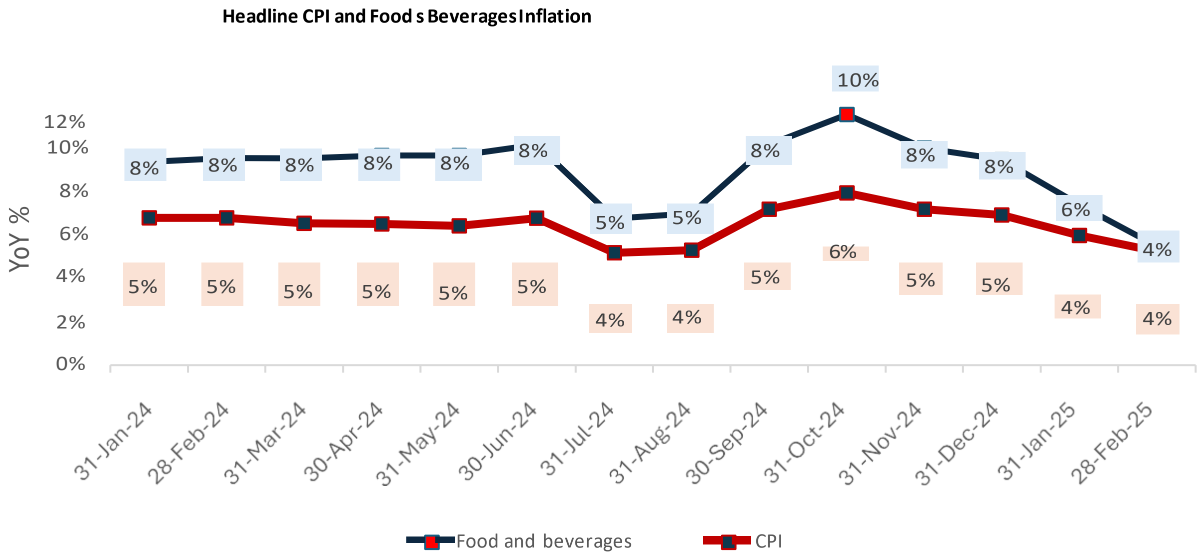
- **India's economic growth engine showed some spark in the December quarter to recover from a low in the September quarter**. Yet, the **6.2% GDP (Gross Domestic Product) growth reported was the slowest since Q4FY23, barring one quarter — the previous one (Q2), when it recorded 5.6% (revised estimate)**. 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.

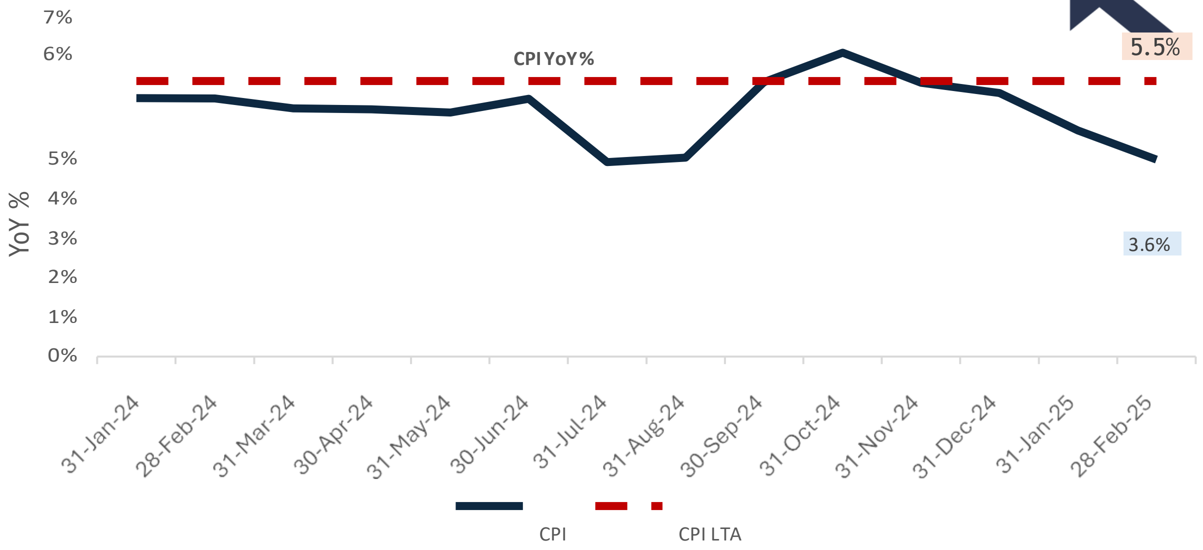
- Meanwhile, **Gross Value Added (GVA), which measures the total value of goods and services produced in an economy, also grew 6.2% in Q3. Tepid growth in Industrial Sectors (4.5% YoY in Q3 FY 2025 vs 11.8% YoY in Q3 FY 2024) of manufacturing, mining, and electricity impacted overall GDP growth in Q3, despite high growth recorded by agriculture (5.6% YoY in Q3 FY 2025 vs 1.5% YoY in Q3 FY 2024).**

GVA Growth (% YoY)	Q1 FY23	Q2FY23	Q3FY23	Q4FY23	Q1 FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3 FY25
Agriculture	4.3	4.0	6.4	9.4	5.7	3.7	1.5	0.9	1.7	4.1	5.6
Industry	7.3	-2.2	1.0	3.8	7.3	15.1	11.8	9.5	8.4	3.8	4.5
Mining	8.3	-3.2	2.6	4.6	4.1	4.1	4.7	0.8	6.8	-0.3	1.4
Manufacturing	2.7	-6.9	-4.3	1.5	7.3	17.0	14.0	11.3	7.5	2.1	3.5
Electricity	17.1	7.8	9.9	8.6	4.1	11.7	10.1	8.8	10.2	3.0	5.1
Construction	14.5	6.4	9.1	7.1	9.2	14.6	10.0	8.7	10.1	8.7	7.0
Services	17.1	10.0	7.5	7.6	12.5	7.5	8.3	7.8	6.8	7.2	7.4
Trade, etc.	22.2	13.2	9.7	7.5	11.0	5.4	8.0	6.2	5.4	6.1	6.7
Finance, etc.	12.3	10.4	9.4	10.9	15.0	8.3	8.4	9.0	6.6	7.2	7.2
Public Administration	21.1	5.0	1.3	2.5	9.3	8.9	8.4	8.7	9.0	8.8	8.8
GVA	12.0	5.5	5.3	6.6	9.9	9.2	8.0	7.3	6.5	5.8	6.2

Outlook

- **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% and 7.1% respectively**.
- 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 the FY25 GDP figure to be lower than CSO's (Central Statistics Office) estimate by around 20-30 bps (basis points) in FY 2025 and 6.5% in FY 2026. Further, the outlook remains heavily clouded with downside risks amid global trade uncertainties surrounding merchandise exports and commodity prices, due to the impending tariffs, which would in turn affect corporate margins.**
- **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 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.
- **We expect Centre and State capex to pick up in FY26, but the worry on Private Sector Capex may continue due to lack of visibility of demand**.





Inflation Well Under Control, Tariff Risks Persist

Commentary

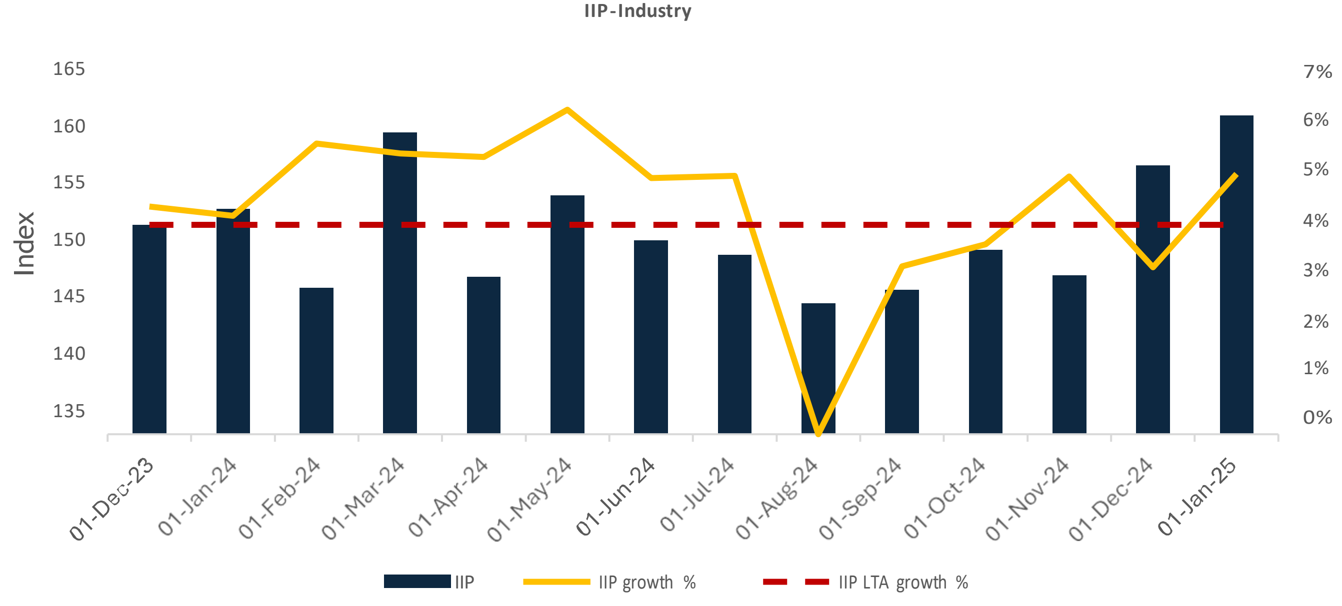
- **India's CPI inflation eased to 3.61% YoY in February 2025, down 65 bps from January, marking the lowest level since July 2024**. Headline CPI is expected to stay within the RBI's 4% target range in the near term.
- The decline **was driven by a sharp fall in food inflation to 3.75% (from 5.97%)**, with vegetables, eggs, pulses, and dairy leading the disinflation. This was supported by better seasonal supply and improved logistics. Food & Beverages account for ~46% of total inflation.
- **Fuel & light inflation which accounts for ~7% of total inflation, grew at -1.33%**, while core categories such as housing, health, and education showed mild increases, indicating overall softness in non- food, non-fuel segments as well.
- Precious metals like gold, silver, coconut, and onions topped the inflation chart, while few food items like ginger, cauliflower, garlic, and tomato posted deep deflation, reflecting divergent price trends across commodities.
- **Urban inflation growth at 3.32% dipped more than rural inflation growth at 3.79%, reflecting quicker price corrections in urban areas**. Urban and Rural food inflation stood at 3.20% and 4.06%, respectively, showing moderation in food prices across regions.

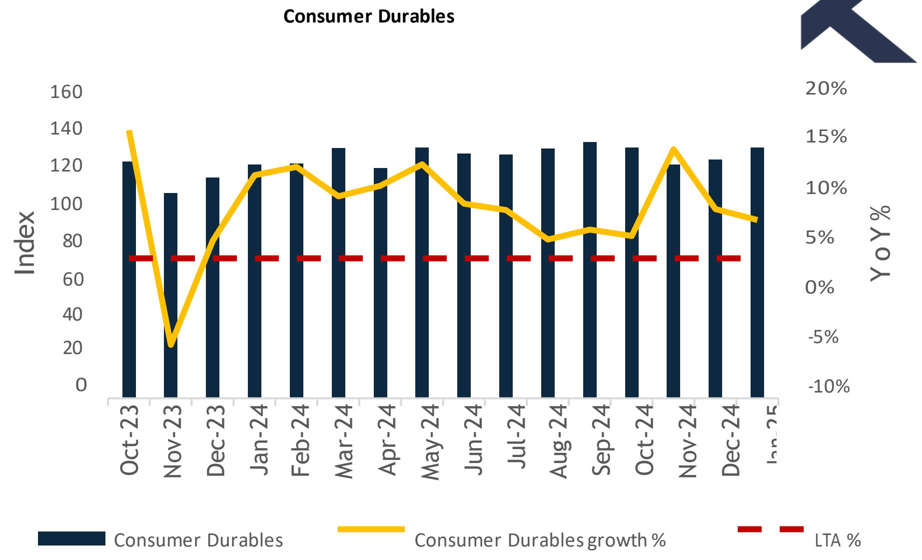
Outlook

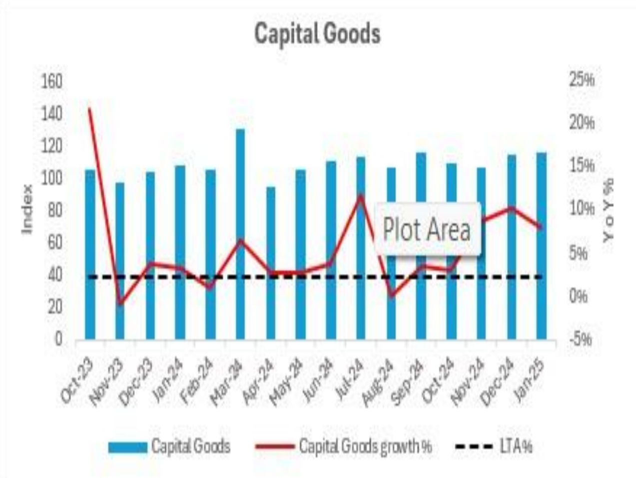
- **The moderation in food inflation with decline in the inflation for vegetable, pulses, eggs etc led to decline in the headline inflation. The food inflation pressures, absent any supply side shock, is likely to witness softening due to good kharif production, winter-easing in vegetable prices and favourable rabi crop prospects. Core inflation is expected to rise but remain moderate.**
- **Key risks going forward include rupee depreciation due to impending global tariffs, and China's policy-led commodity demand, which could impact future inflation trajectories.**
- **With inflation moderating and growth still sluggish, expectations of a rate cut in the next MPC meet are high. RBI is likely to maintain a data-driven approach, watching for persistence in core inflation before moving decisively.**

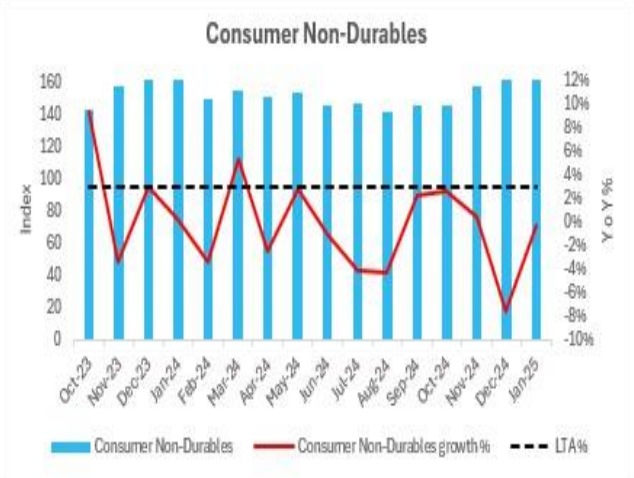
Source: Internal assessment based on RBI DBIE data

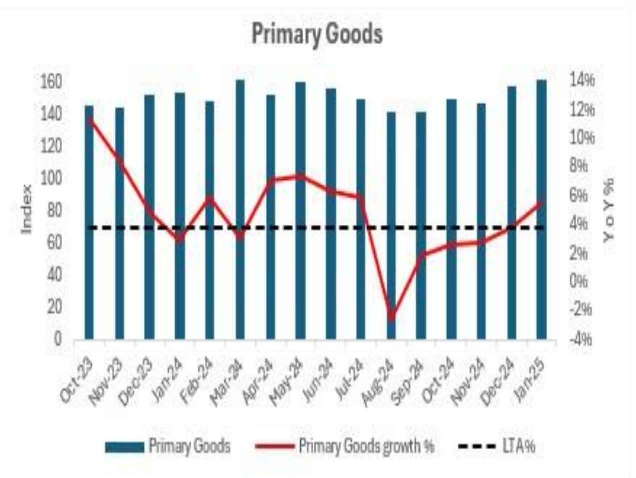
3. IIP (Index of Industrial Production)



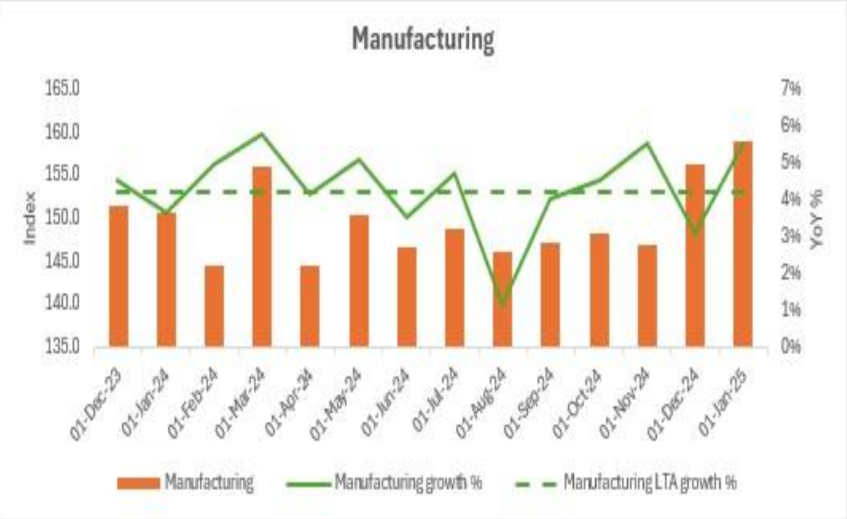


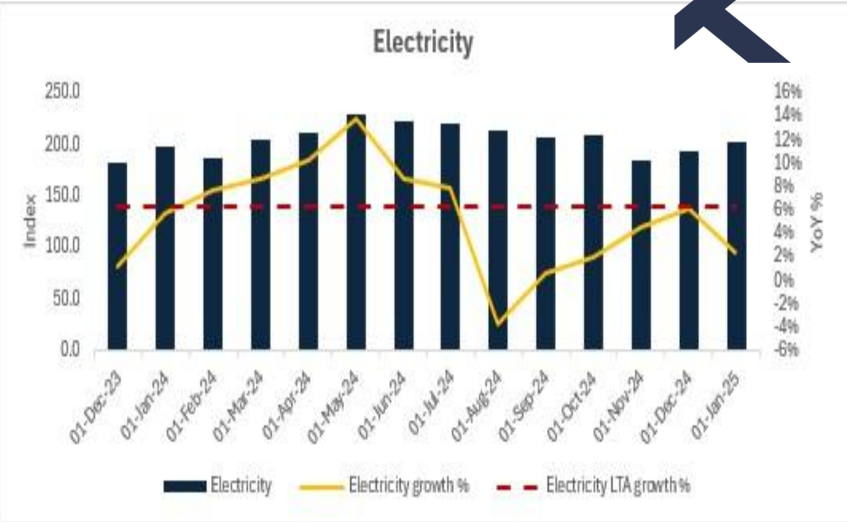






Source: Internal assessment based on RBI DBIE data





Industrial Growth Picks Up – Capex-Led Momentum Returning

Industry-based IIP

India's IIP growth rose to 5.0% YoY in January 2025, up from 3.2% in December 2024.The rebound was primarily **driven by manufacturing and capital goods** .

Sectoral-based IIP

Manufacturing grew 5.5% YoY in Jan 2025 vs 3.1% in Dec 2024. **19 of 23 industry groups within Manufacturing recorded positive growth**, driven by higher production of Coke & Refined Petroleum Products (+8.5%), Basic Metals (+6.3%), and Chemicals (+2.7%). Manufacturing accounts for approximately 78% of IIP. Mining increased 4.4% YoY vs 2.6% in Dec whereas Electricity slowed to 2.4% YoY from 6.2% in Dec.

Usage-based IIP

Usage-based IIP data showed **strong growth in capital goods (+7.8%), consumer durables (+7.2%), infrastructure goods (+7.0%), primary goods (+5.5%), and intermediate goods (+5.2%), while consumer non-durables saw a marginal contraction (-0.2%)**.

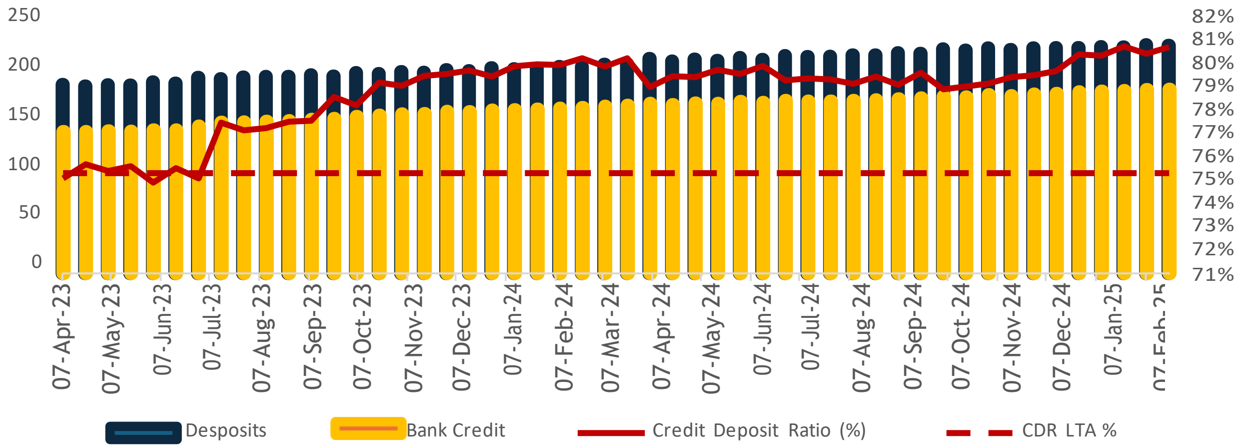
Outlook

- **The economic activity is expected to be supported by strong demand on account tax relief in the Union Budget 2025-26. The RBI has also been providing liquidity support to the banking system to aid credit growth amid tight liquidity condition. The RBI has also kicked off the interest rate cut cycle with 25bps reduction in the policy repo rate in February 2025. January's recovery suggests renewed industrial momentum, supported by capex and infra spend.**
- **Weakness in Consumer Non-Durables signals lingering pressure in essential consumption due to a slowdown in demand.**
- **Sustainability of this uptick in IIP hinges on public & private capex, demand revival especially in urban areas, and global trade stability.**

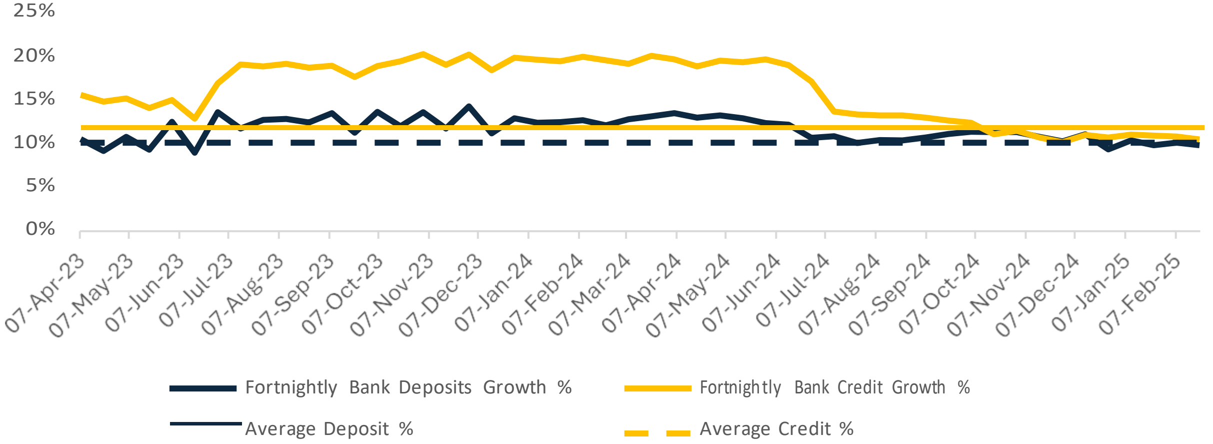
Source: Internal assessment based on RBI DBIE data

Credit Deposit Ratio

4. Capex



Credit Deposit Growth%



Monetary Aggregates and Deposit Trends

- As of February 21, 2025**, M3 growth stood at 9.6% YoY, moderating from 10.9% a year ago, largely due to the trend of financialization of savings**.
- **Aggregate deposit growth which accounts for ~86% of M3, eased to 10.1%, compared to 11.9% in the same period last year**, with term deposits continuing to outpace savings deposits. The share of term deposits rose to 62.1% of total deposits, while 70.8% of these offered interest rates ≥7%, reflecting an ongoing trend of high cost of funds for the banking system.

Credit Growth and Composition

- **Bank credit growth slowed to 12.0% YoY from 16.6%. The RBI's increase in risk weights on unsecured loans and loans to NBFCs, stress in the unsecured retail segment of banks, and its directive for banks to reduce their elevated loan-to- deposit ratio, were the main reasons for a slowdown in credit growth**.
- Within the **Consumer Loan segment, credit deployment across Housing, Personal, Vehicle, and Credit Card loans exhibited a declining trend**.
- **Credit to Industry exhibited an upward trend, driven primarily by increased credit deployment to Large Corporates**, which constitute 71% of the total credit deployment. Conversely, **credit extended to Micro, Small, and Medium Enterprises (MSMEs) displayed a downward trajectory and below their long-term average**.
- **Credit to Agriculture and Services** seems to be on the **uptick**, close to their long-term average growth rates.

Credit-Deposit Dynamics

- The **credit-deposit gap has narrowed compared to previous quarters**, largely on account of **slowing credit growth**.
- The **credit-deposit ratio (CDR) climbed to 80.5%**, reflecting higher reliance on existing deposits for lending, increasing pressure on the banks' balance sheets.

Liquidity Constraints and Bank Strategy

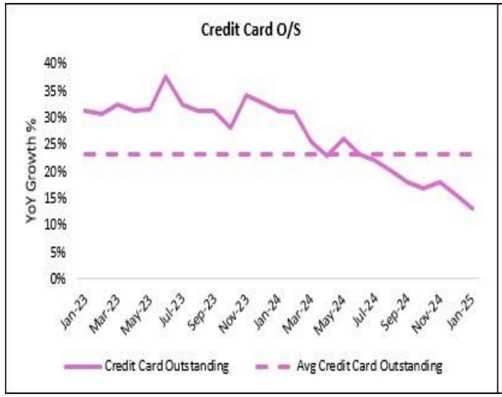
- Liquidity conditions remain under pressure, with the system facing **a net deficit of ₹2.32 trillion** for the 14th straight week as of March 24.
- Amid this environment of liquidity deficit, characterized by elevated CDR's, stiff competition among banks, especially private sector banks to attract deposits, lenders have intensified **their focus on deposit mobilization** and become **increasingly selective in extending credit**.
- Regulatory deferrals such as **postponement of LCR tightening** and **easing of risk weights on NBFCs and microfinance** may aid future credit expansion to some extent.

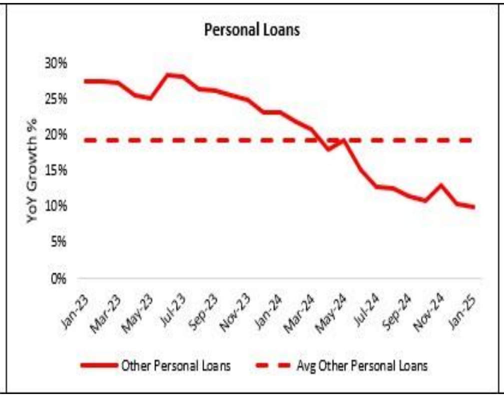
Outlook

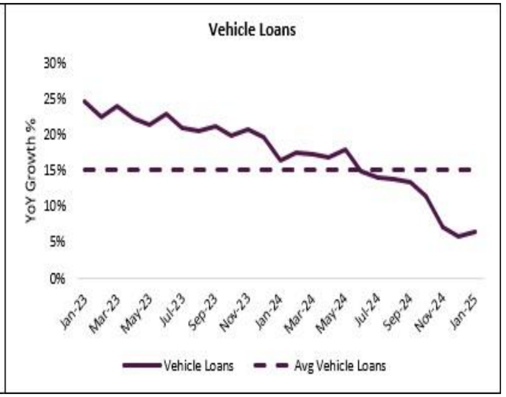
- **Despite tight liquidity, the moderation in credit growth appears cyclical and policy-induced rather than structural. As liquidity conditions in the banking system normalize and the CDR gradually improves, credit growth is expected to regain momentum. However this might take a couple of quarters.**
- **We expect credit growth to stabilize around 11.2% in FY25, with deposit growth likely to remain close to 10.5%.**
- **Sustained policy support, easing liquidity pressures, and gradual rate transmission will be key to preserving financial stability and supporting credit growth and economic momentum.**
- **A key risk remains subdued consumer demand, as capital expenditure is largely a derivative of this demand. Therefore, a revival in urban consumption is essential to drive a meaningful and sustainable recovery in industrial capex.**

Source: Internal assessment based on RBI DBIE data

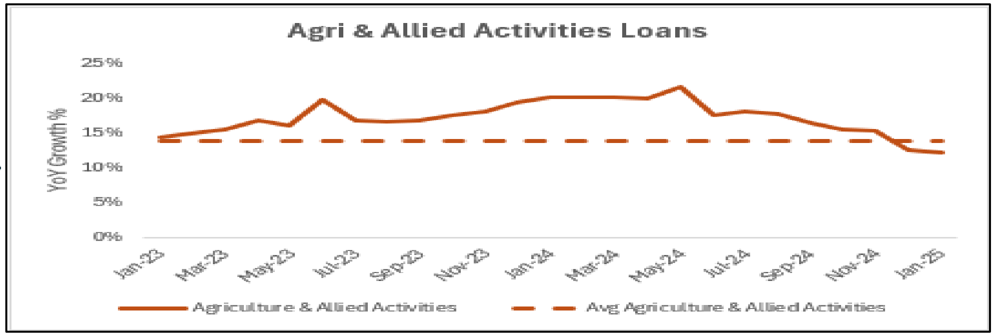
Credit to Consumer



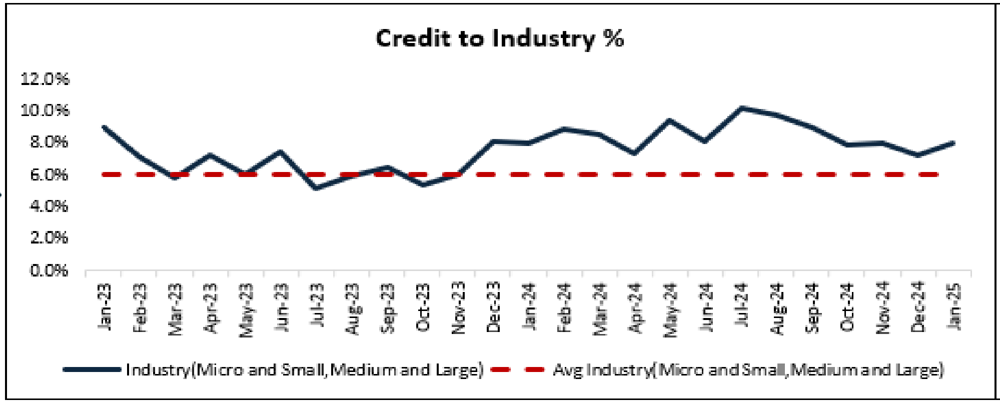


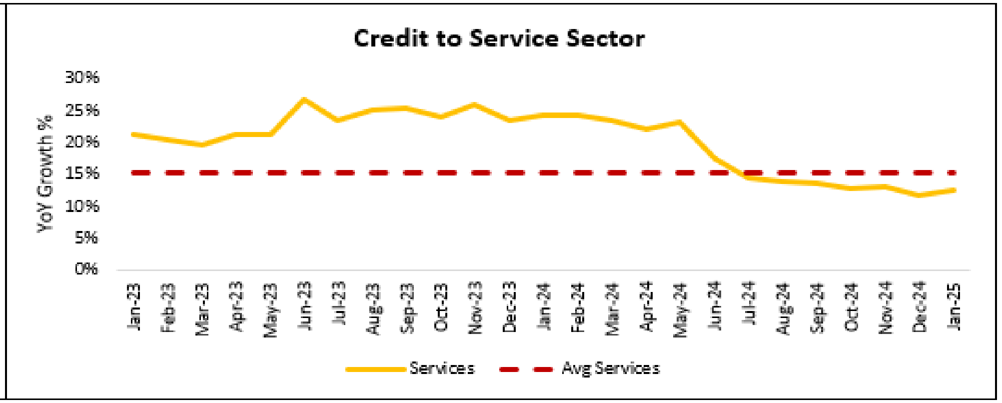


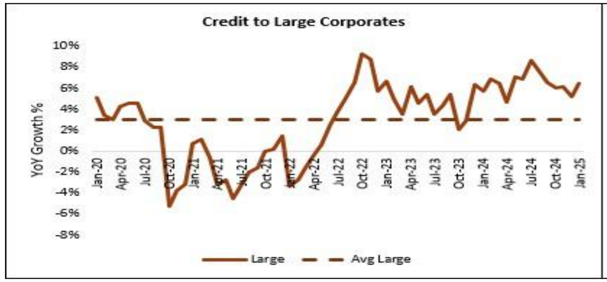
Credit to Agri

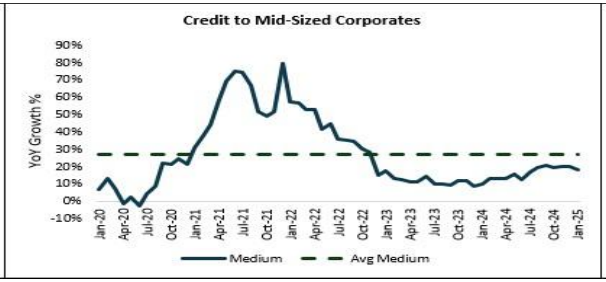


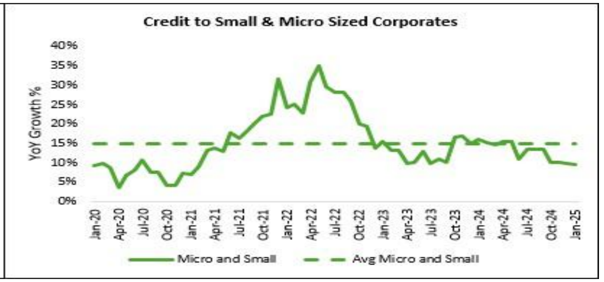
Credit to Industry





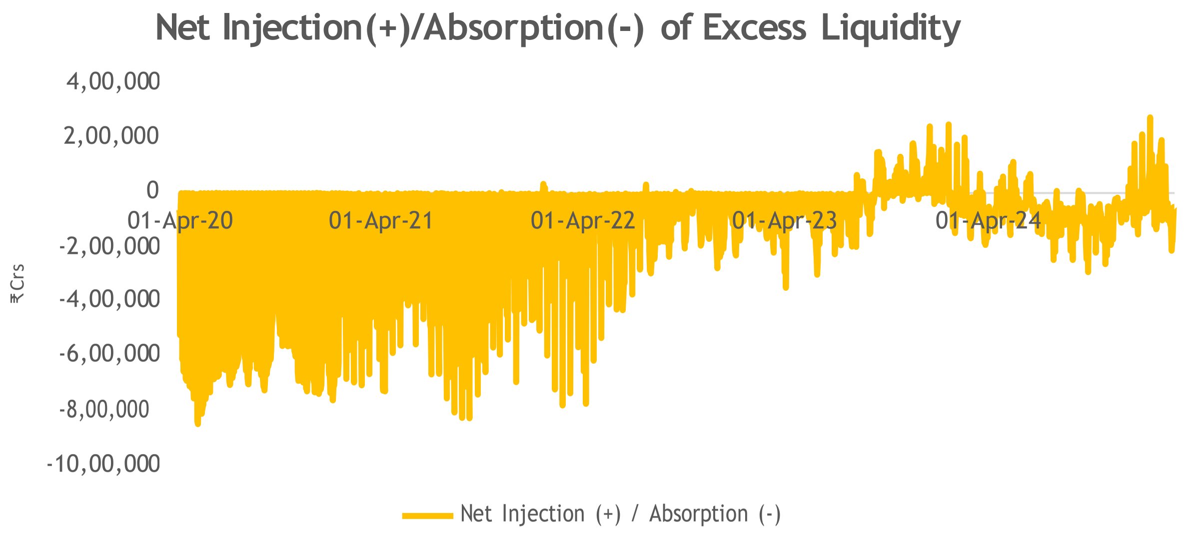


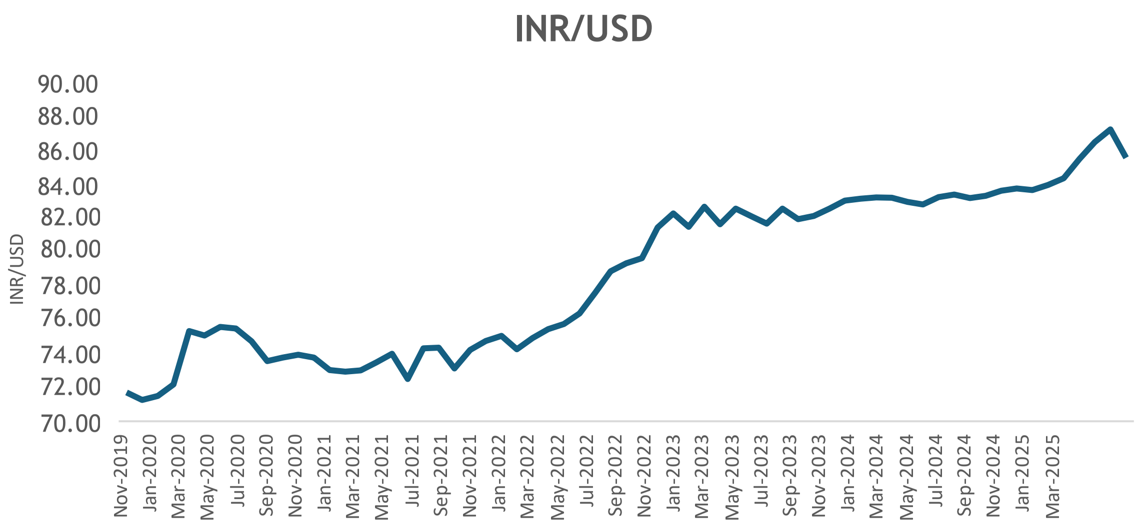


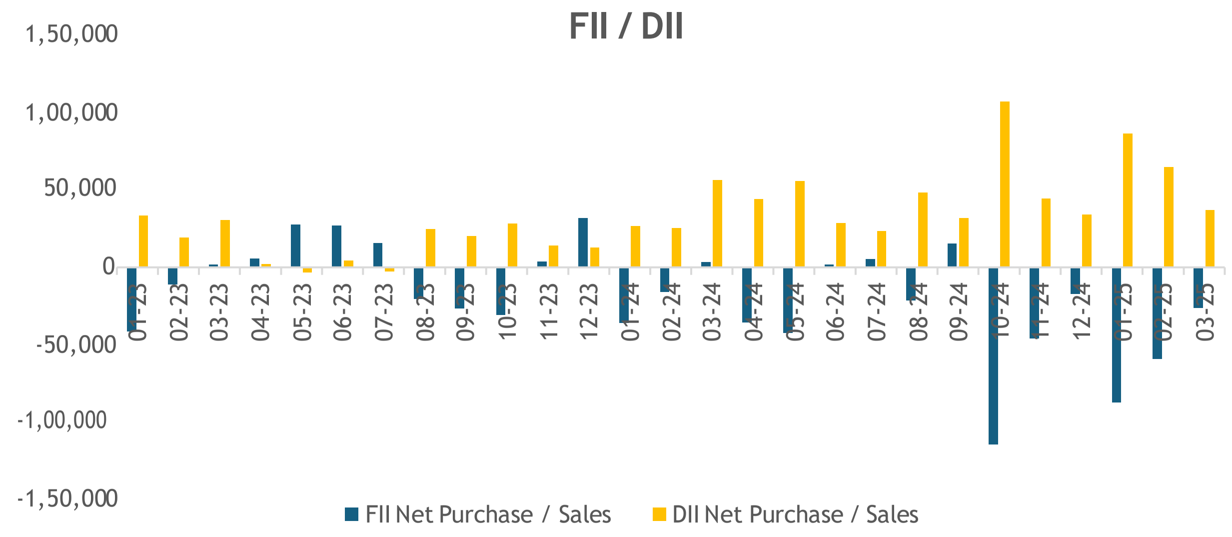


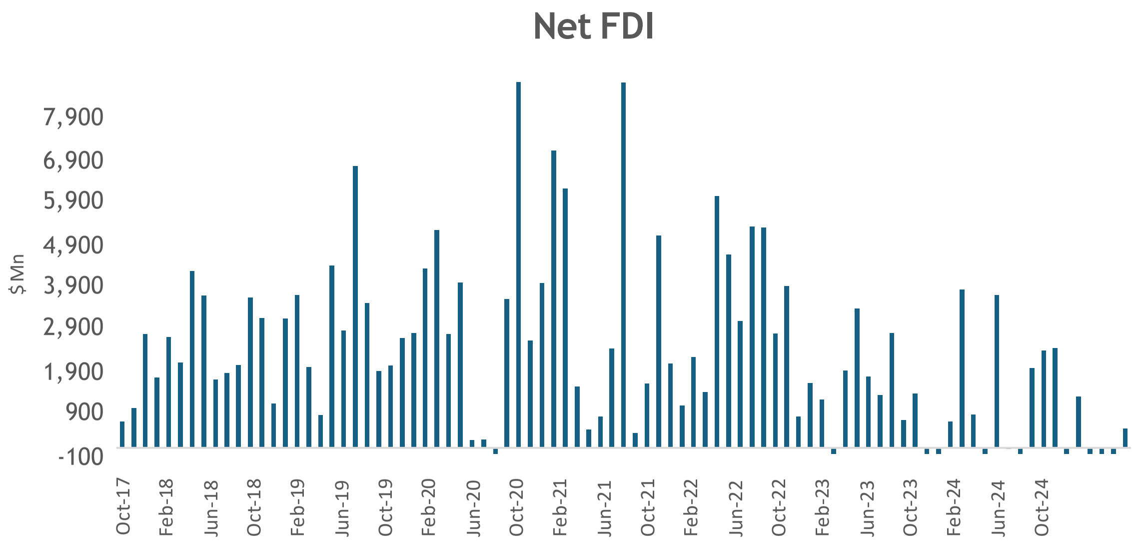
Source: Internal assessment based on RBI DBIE data

5. Liquidity



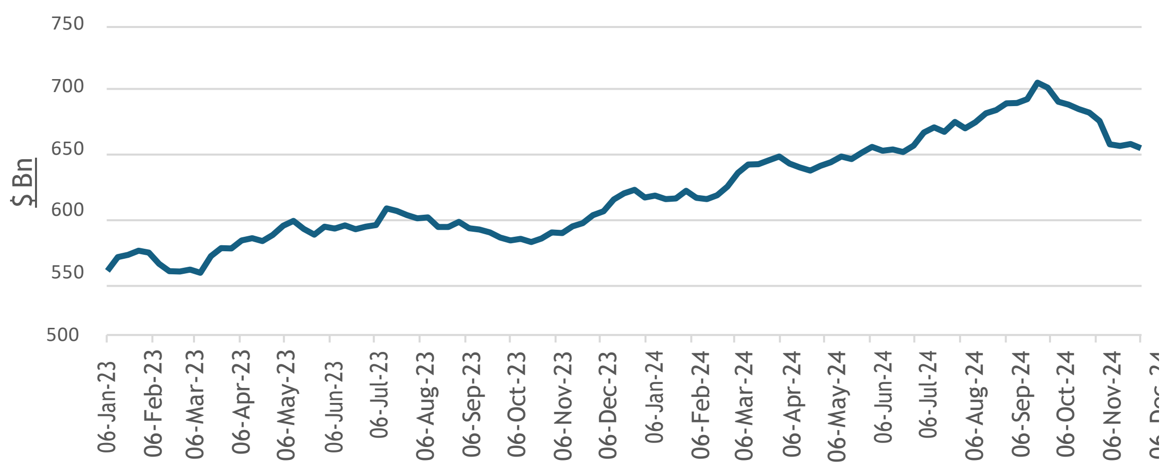




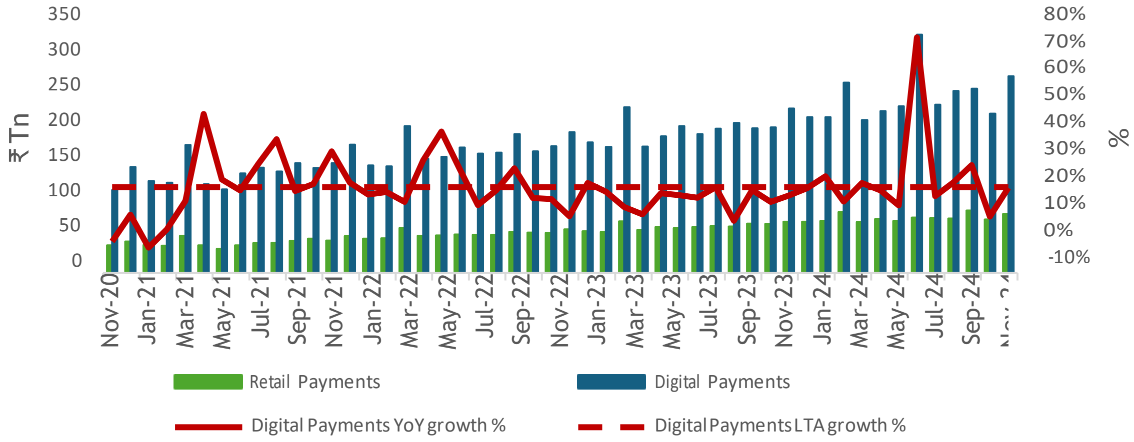


Source: Internal assessment based on RBI DBIE data

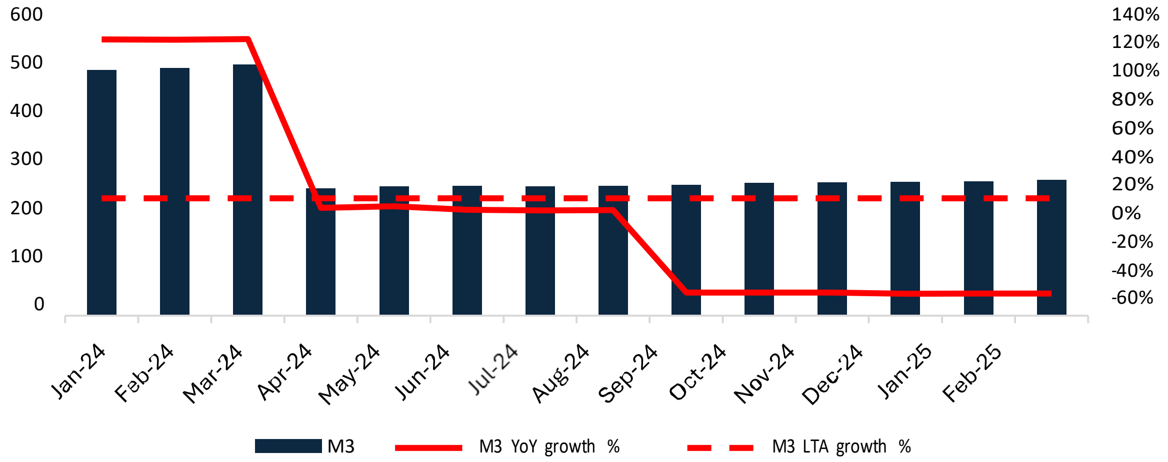
Foreign Exchange Reserves (USD Bn)



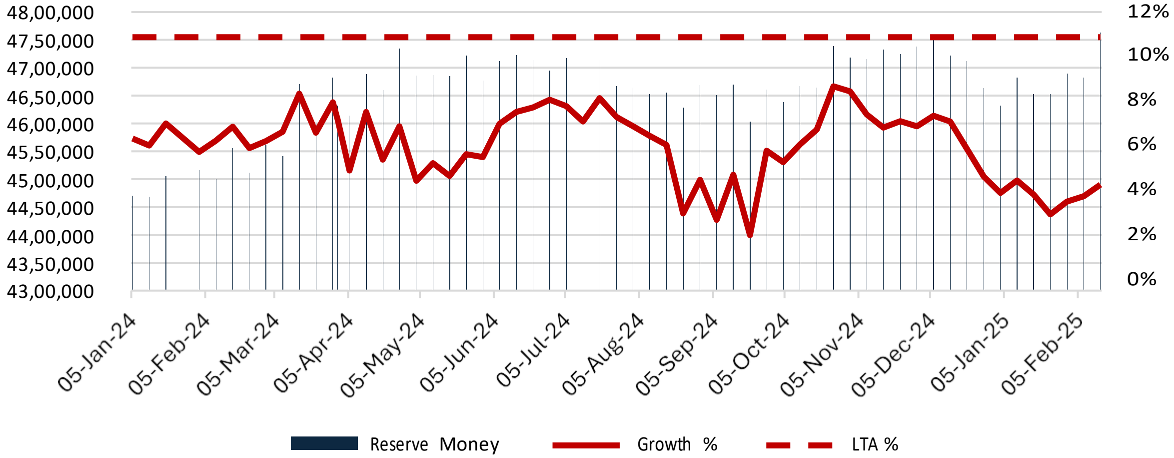
Payments



Money Supply (M3)



Reserve Money (M0)



Source: Internal assessment based on RBI DBIE data and Bloomberg

FII Activity

After months of consistent outflows, FIIs have shown early signs of a strategic reversal with a drastic decrease in FII selling. Though the monthly outflow in Equity cash segment still stands high at ₹6,984 crores till March 25, the declining pace of selling from ₹87,374 crores and ₹ 58,988 crores in Jan and Feb this year respectively, signals improving sentiment. Additionally, FIIs maintained strong interest in debt, with ₹10,955 crore inflows in March so far. This shift aligns with **favorable domestic factors such as lower inflation, steady growth, low Current Account and Fiscal deficits and a weakening dollar**. The return of FII participation, if sustained, could lend strong support to market momentum. Combined with consistent DII inflows, this may indicate a positive near-term outlook for Indian equities. **With markets having corrected sharply over the past six months and many uncertainties now largely behind us, future flows will significantly hinge on domestic demand revival and the translation to company EPS and of course the effect of the upcoming tariff structures scheduled to be announced on April 2**.

Liquidity Deficit

After months of tight liquidity conditions, the Reserve Bank of India (RBI) has taken decisive steps to address systemic stress by announcing **open market operations (OMOs) totaling ₹1 lakh crore and a USD-INR swap worth $10 billion**. This is a critical intervention, especially given the elevated short-term rates that signaled a liquidity squeeze in recent months. The weighted average call rate (WACR) had persistently breached the repo rate, reaching 6.69% in January 2025, a clear deviation from the usual corridor. Additionally, credit spreads between the repo rate and short-term instruments like 3-month CDs have widened to over 100bps, highlighting liquidity scarcity at the short end of the curve.

The root causes of this liquidity deficit are multifaceted. Volatile capital flows, slower deposit accretion, advance tax-related outflows, and most notably, heavy RBI intervention in the forex market to defend the rupee led to a $70 billion reduction in forex reserves between October and January. This forex defense, while necessary for currency stability, came at the cost of draining durable liquidity from the banking system.

In response, the RBI has demonstrated flexibility in its toolkit—deploying VRR auctions, OMO, CRR reductions, repo rate cuts, and foreign currency swaps. However, despite these measures, the transmission of rate cuts into the broader economy remains weak at the short end of the yield curve. Banks, facing low deposit growth and heightened competition, have limited room to cut deposit rates, which in turn keeps lending rates sticky. This disconnect underscores the challenge in translating policy easing into broader economic relief.

Bond markets have responded with caution. While OMOs are expected to bring short-term relief, elevated borrowing by state governments (₹1.35 trillion expected in the last leg of March) is likely to maintain upward pressure on yields, particularly in the 10-year segment which has risen to the 7.21%-7.34% range. Spread differentials remain high, with corporate bonds and state loans pricing at significant premiums over G-secs, reflecting both liquidity tightness and risk aversion.

Outlook

The RBI's decision to inject liquidity through OMOs and FX swaps is a strategic move to address immediate liquidity shortages and support economic stability. The strong stance to take significant measures to inject liquidity coupled with an accommodative stance of monetary policy should help keep the system in equilibrium and prevent any further widening of spreads. However, the unknown variables of domestic inflation and US policy leading to impact on the rupee would possibly be the determining factor for bond markets. While there is a short-term opportunity for investors to lock in a favourable yield, it is imperative that the short term spike is brought under control.

If inflation continues to be at the lower end, the expectation of rate cuts, along with moderation in short-term yields, would pave the way for lowering of long-term yields as well. With the risk of capital outflows continuing along with the US policy strengthening the USD, RBI would have to determine the extent to which it is willing to support the rupee. While the balancing act could continue for a better part of H1 FY26, if the RBI succeeds in keeping the short-term yield stable, a virtuous cycle of investments (both government and private) could be unlocked.

As always, the answer to the bond market lies if the short-term stability is maintained and long-term prospects are growth oriented.

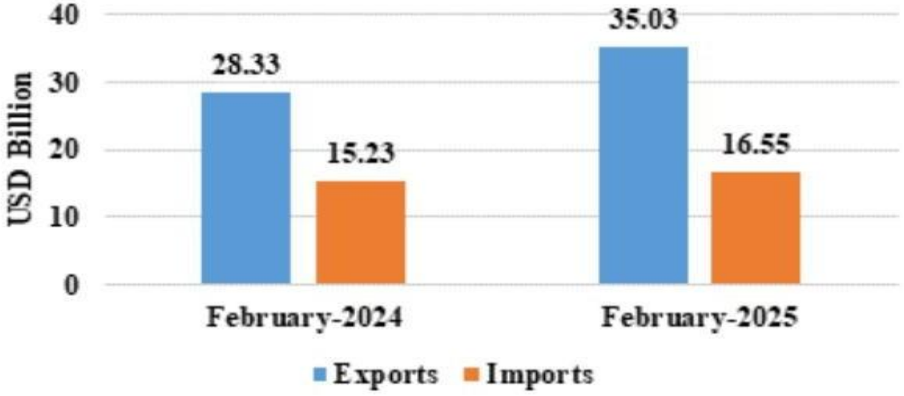
6. Trade

Total Trade during February-2025

Merchandise Trade during February-2025

Trade excludingPetroleumand Gems sJewelleryduringFebruary-2025

Services Trade during February-2025



Source: PIB

India's Trade Snapshot

Overall Trade Balance

India's trade deficit narrowed sharply to $14.05 billion in February 2025, down from $22.9 billion in January, marking the lowest trade deficit since August 2021. This sharp improvement was primarily driven by a significant drop in imports. While merchandise exports rose slightly to $36.91 billion (from $36.43 billion in January), imports contracted to $50.96 billion (from $59.42 billion). The February trade deficit was also well below market expectations of $21.65 billion, indicating a favourable short-term development in the external sector.

Merchandise Exports and Imports

- Export performance remained stable with a marginal increase, **reflecting resilience in external demand despite global uncertainties**. On the other hand, the **fall in imports was broad-based, signaling either softer domestic demand and lower commodity prices**.
- Key declines were observed in crude oil imports, which fell to $11.8 billion (from $13.4 billion), and gold imports, which reduced to $2.3 billion (from $2.7 billion). This reduction contributed meaningfully to the narrowing of the trade gap.

Services Trade

India's services exports in February stood at $35.03 billion, down from $38.55 billion in January, while imports eased to $16 .55 billion (from $18.22 billion). Although the services trade surplus remained positive, **the drop reflects some moderation across IT and business services during the month**. These are quick estimates, and further clarification is expected as the detailed data is released.

Urban vs Rural Trade Indicators

The **contraction in gold and oil imports**—typically influenced by consumer demand and fuel needs, could **reflect seasonal shifts in urban consumption and broader demand recalibration. This may also coincide with inventory cycles or pre-festival frontloading in earlier months.**

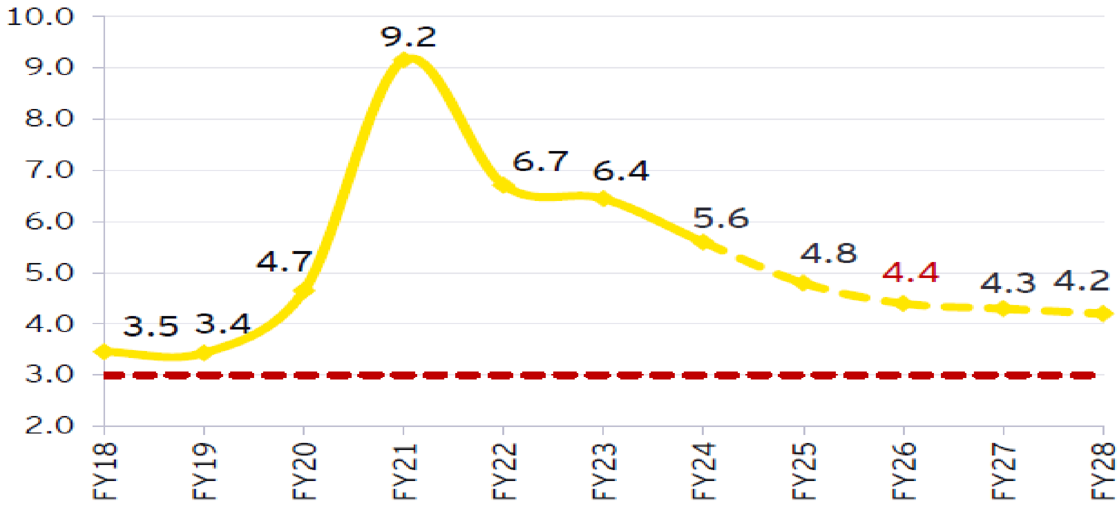
Trade Policy and Global Risks

- The trade data release coincides with rising uncertainty from evolving US tariff policies. India is actively engaging in bilateral negotiations to avoid potential tariff impacts scheduled from April 2. The United States remains India's largest export market, accounting for nearly $74 billion in exports in 2024, primarily in pharmaceuticals, petrochemicals, and jewellery.
- India's average import tariff rate at 11% (about 8.2 percentage points above US tariffs on Indian goods) could prompt reciprocal action, highlighting the need for calibrated trade negotiations and tariff rationalization.

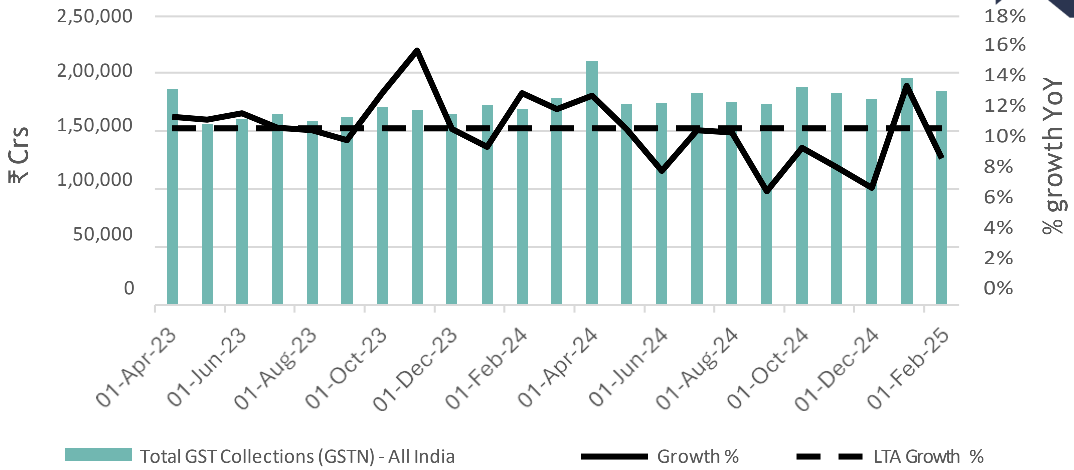
Outlook

- **The narrowing trade deficit offers short-term relief to India's external position and supports a more stable current account outlook. However, risks from global protectionism, currency volatility, and changes in commodity demand (especially from China) must be monitored closely.**
- **CAD widened to $11.5 bn or 1.3% of GDP. Capital flows witnessed a sharp contraction due to higher FPI outflows and decline in banking capital. FDI reported a net outflow of $2.8 bn. CAD/GDP estimates are now revised down to 0.1% (earlier 1.5%), BoP surplus estimated at $2.0 bn in FY25.**
- **Going into FY26, there could be some challenges for the trade balance, and we anticipate a widening of the same. This is on account of the challenges that the exporters could be facing in exporting to the USA on account of reciprocal tariffs being slapped on India (we wait for President Trump's announcements on April 2). Exports to ex-USA could also be reduced as the globe heads into a slowdown. We anticipate a de-growth of 2% in non-oil exports. On the other hand, we expect non-oil non-gold imports to hold steady on expectations of growth enablers for domestic consumption (IT cuts, reduction in policy interest rates by the RBI, government spending etc.) Consequently, we expect a widening of the trade gap to USD 282 bn in FY26 from USD 258 bn in FY25. With expectations of next services exports to continue at a robust pace (mainly due to good business performance of GCCs), the CAD is expected at a small deficit of USD 8 bn (0.2% of GDP).**

GOI's Fiscal Debt / GDP – Glide Path



GST Collection – rises 6.1% YoY in Feb 2025



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
Revenu 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

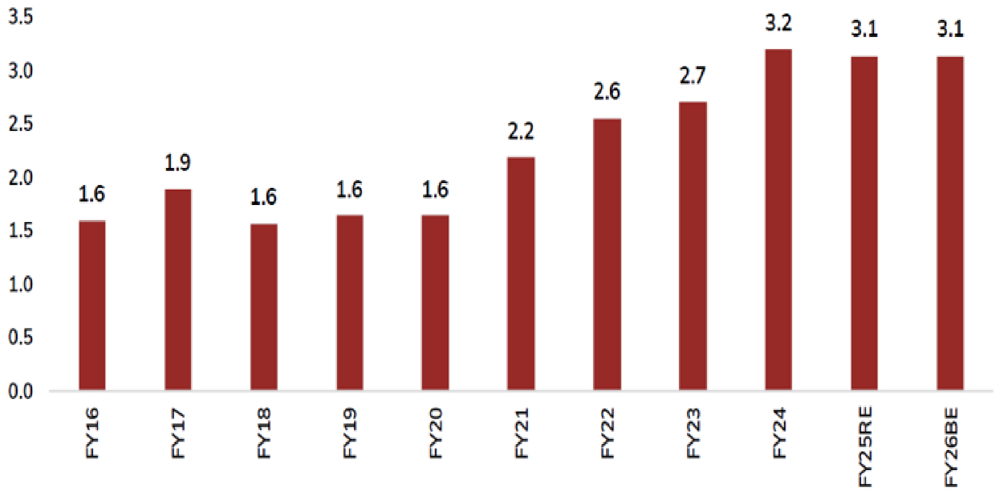
	FY23	FY24	FY25RE	FY26 BE
Direct tax revenues	6.1	6.6	6.9	7.1
Indirect tax revenues	5.1	5.1	5.0	4.9
Gross Tax revenues	**11.2**	**11.7**	**11.9**	**12.0**
Net Tax revenues [A]	7.7	7.9	7.9	7.9
Non-tax revenues [B]	1.0	1.4	1.6	1.6
Disinvestmt & Others [C]	0.3	0.2	0.2	0.2
Total Revenue [A+B+C]	**9.0**	**9.4**	**9.7**	**9.8**
Capital Exp [D]	2.7	3.2	3.1	3.1
Revenu 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

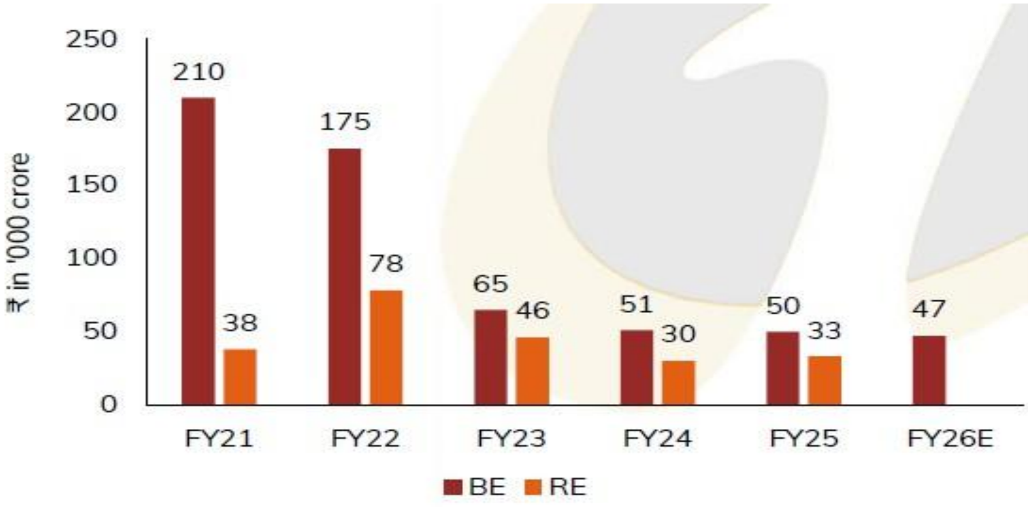
	FY21	FY22	FY23	FY24	FY25RE	FY26BE
GDP	**1,97,46,000**	**2,36,64,637**	**2,72,40,712**	**2,95,35,667**	**32400627**	**35964696**
Gross Tax Revenue	**10.3%**	**11.4%**	**11.2%**	**11.7%**	**11.9%**	**12.0%**
Corporate Tax	2.3%	3.0%	3.0%	3.1%	3.0%	3.0%
Income Tax	2.5%	2.9%	3.1%	3.5%	3.9%	4.0%
GST	2.8%	3.0%	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%**

Source: KPMG and ICICI Direct Budget report

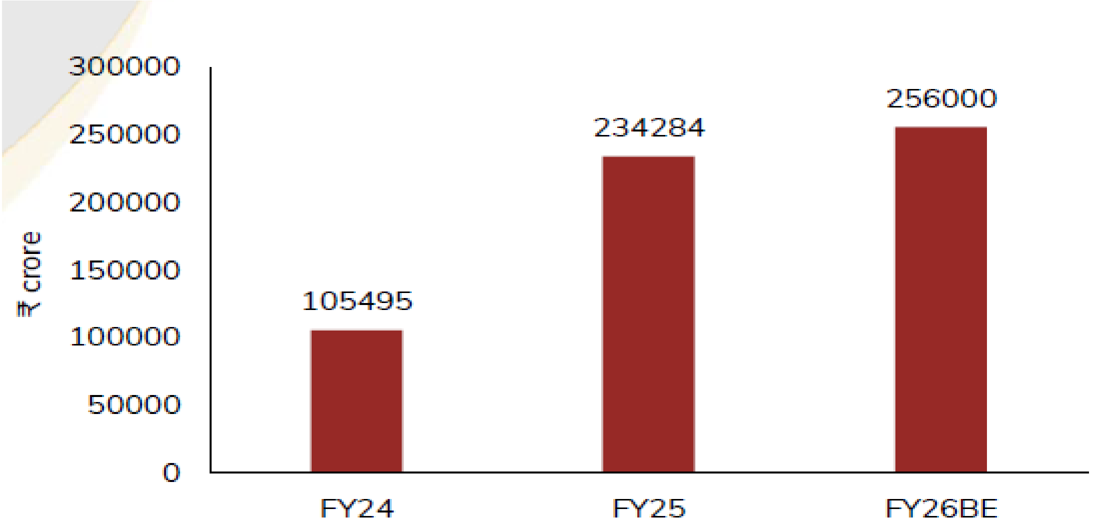
Capex as a % of GDP



Disinvestment Target



Payout from the RBI



GOI's Debt / GDP

Years	GoI'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

Source: KPMG and ICICI Direct Budget report

Fiscal Discipline

Commentary

- **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 it 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.

- 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.

- 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 remains robust for FY25 and FY26 at 11.2% and 10.8% respectively, 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

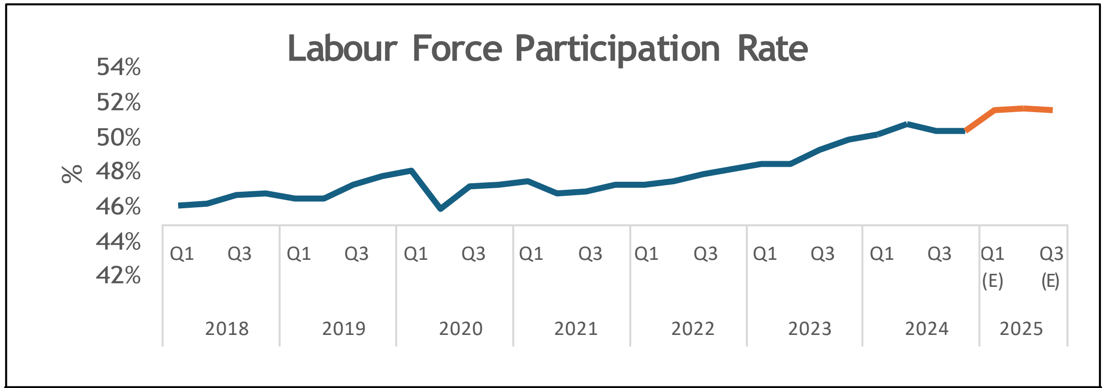
- **Dividend from RBI & financial institutions for FY25 at ₹2,34,284 crore**, aiding non-tax revenues. Earmarked contribution of ₹2,56,000 crore, attributable to anticipation of continued higher payout from RBI, amid aggressive intervention in currency markets.

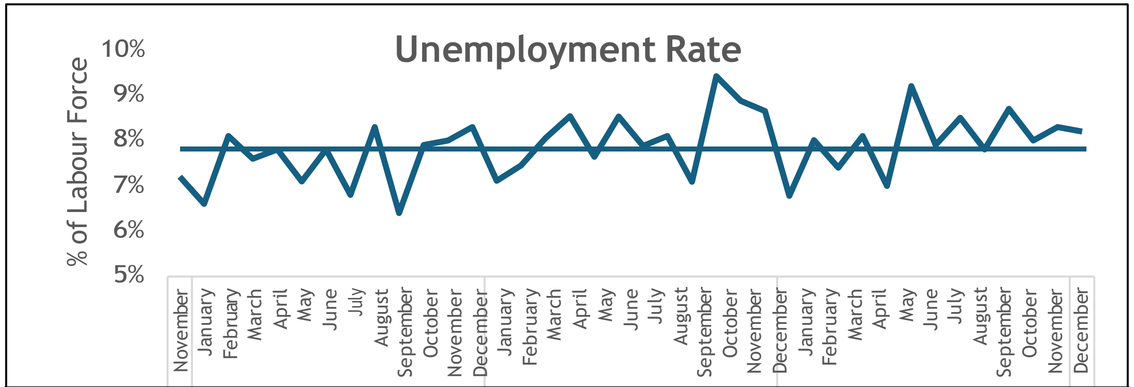
Personal Income Tax

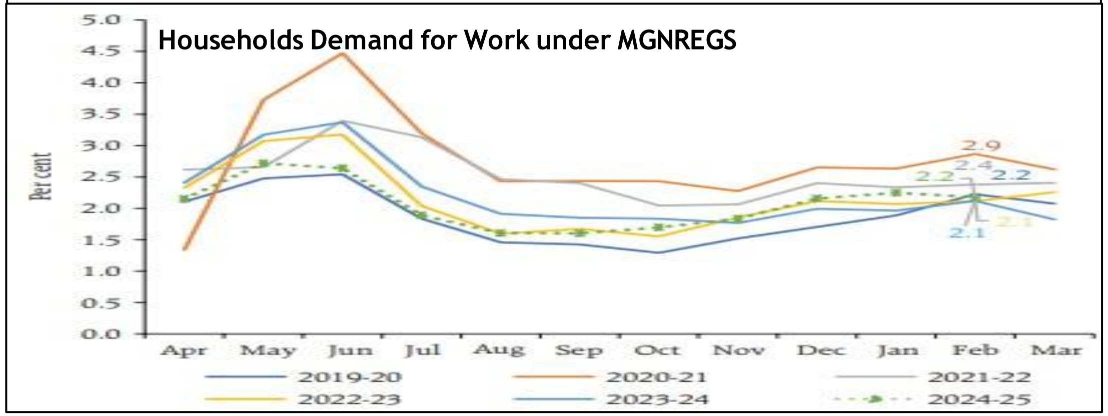
- **Government has announced biggest ever overhaul in personal income tax structure thereby increasing the tax-exempt income from ₹ 7 lakh to ₹ 12 lakh in Union Budget 2025-26. This tax relief, is expected to increase disposable income in the range of ₹ 30,000 to 1,10,000 pa in the hands of tax-payer**. 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.

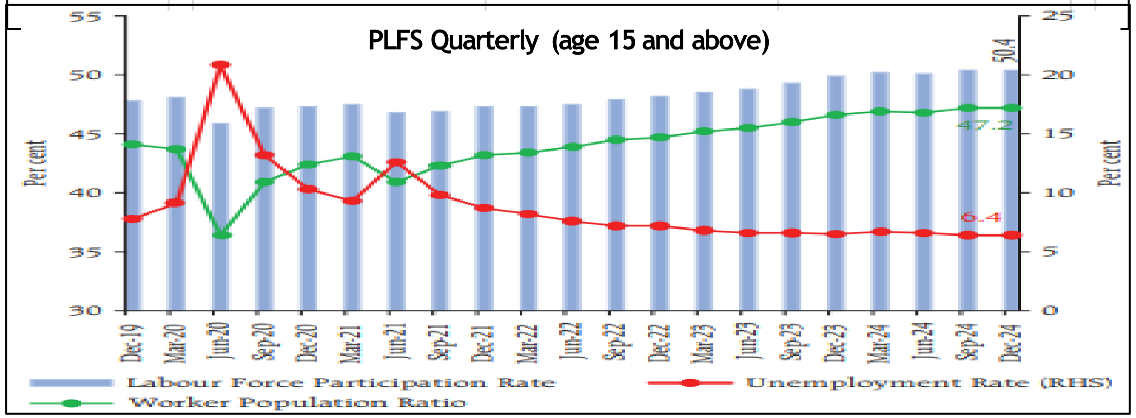
GST Revenue Analysis – February 2025

- **Gross GST collections rose 9.1% YoY to ₹1.84 trillion in February 2025, reflecting strong domestic demand and early signs of economic revival**. Domestic GST revenues surged 10.2% to ₹1.42 trillion, outpacing the 5.4% growth from imports, indicating the impact of local production and consumption. **The trend suggests improved tax compliance and steadily increasing consumption, supporting a stable fiscal outlook.**









- Recent data indicates a continued **strengthening of India's employment landscape, particularly in the organised sectors**. In February 2025, **job creation in the organised manufacturing sector registered the second-fastest pace of growth since the inception of the PMI survey**, pointing to **rising capacity utilisation** and **strong demand-side momentum**. The **services sector also maintained its hiring momentum, reflecting broad-based economic expansion**.

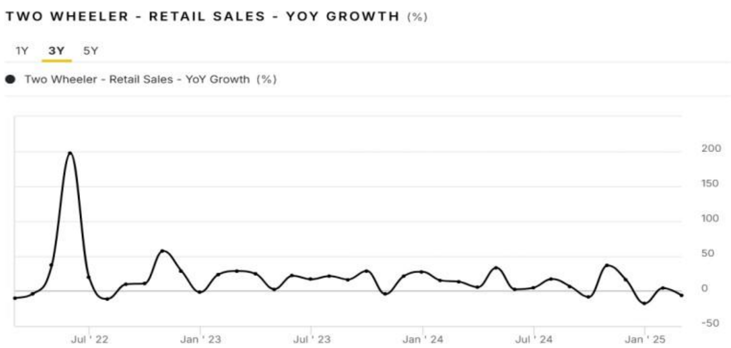
- According to the latest PLFS data, the **urban unemployment rate remained steady at 6.4% during October–December 2024, unchanged from the previous quarter**. This is the lowest level recorded since the launch of the PLFS series, signalling **resilience in urban employment despite global uncertainties**. The Labour Force Participation Rate (LFPR) and Worker Population Ratio (WPR) also held firm, showing **sustained engagement of the working-age population in productive activity**.

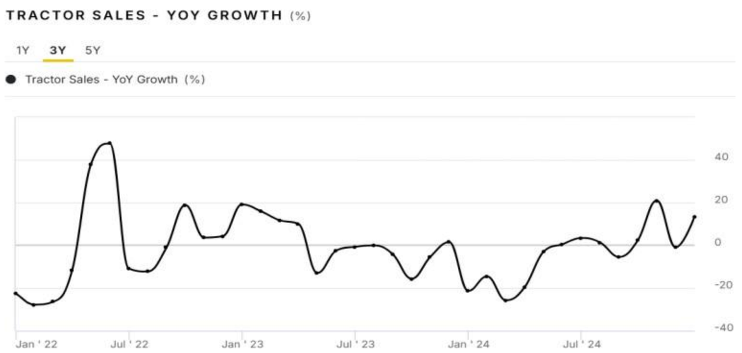
- On the **rural front, demand under the MGNREGS declined by 3.1% month-on-month in February, which aligns with seasonal trends as Rabi harvesting begins. This drop reflects a shift from reliance on employment guarantees to agricultural labour, which is typically a sign of improving rural economic activity**.

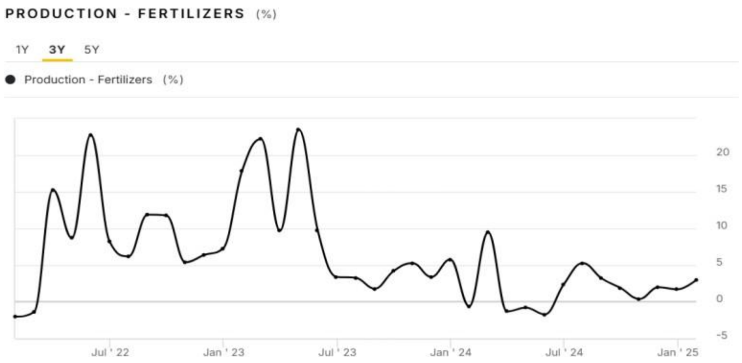
- **Overall, the employment outlook remains positive.**

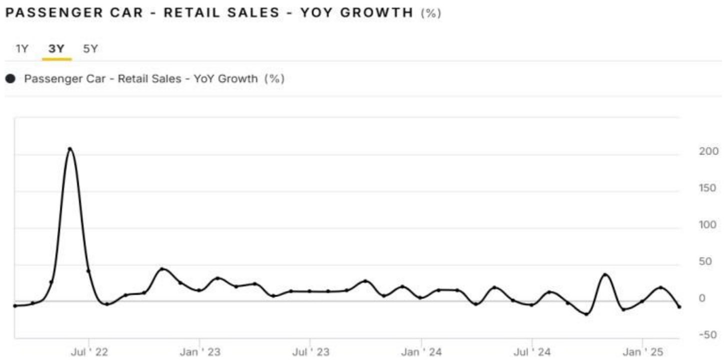
Source: RBI Bulletin March 2025, Trading Economics

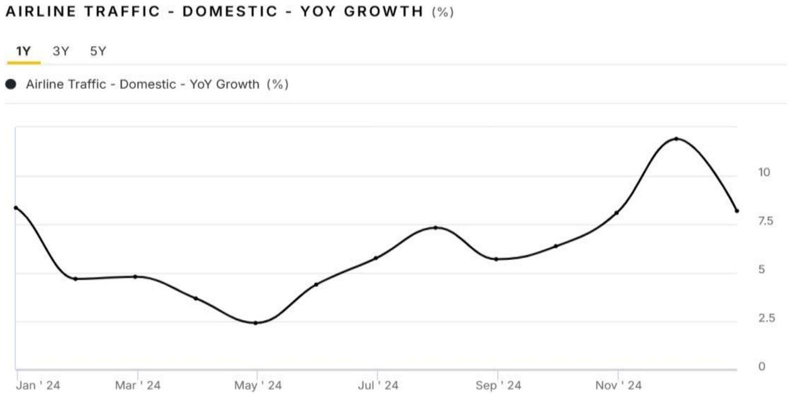
9. Demand Indicators

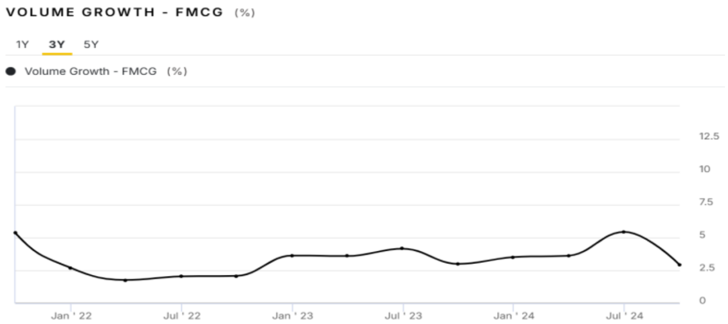












Source: Internal assessment based on data from Tijori Finance

<u>**Select Consumer Demand Indicators**</u>

<u>**Rural Demand**</u>

Sales of Tractors, and Fertilizers have experienced an upward trend, largely driven by **favorable monsoon** conditions and an **increase in harvest yields**. This improvement has led to a **rise in disposable income** in rural areas, enhancing purchasing power and boosting demand for these essential products. However, **Two-Wheeler Sales experienced a fall** in the month of January 2025.

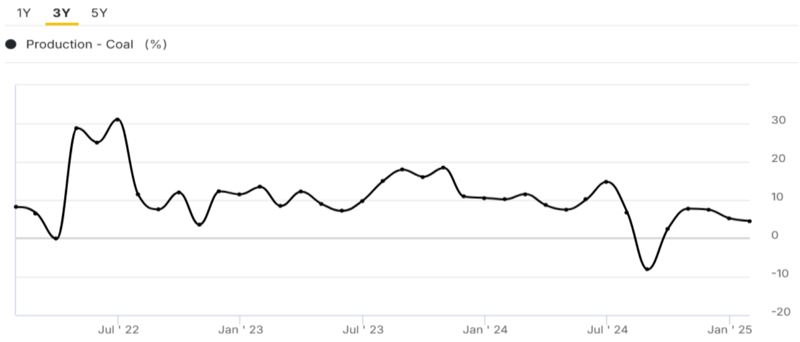
<u>**Urban Demand**</u>

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 uptrend.**

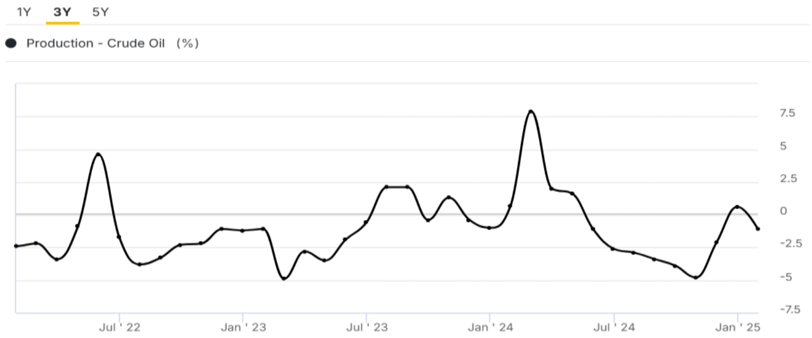
At the beginning of Q3 FY2024-25, overall consumer demand experienced a notable surge, rebounding from a period of sluggish growth reflected in Q2, which was highlighted in the quarterly GDP figures. As we move forward into the next quarter, it will be **crucial**

to monitor the momentum of these high frequency indicators beyond the festival season.

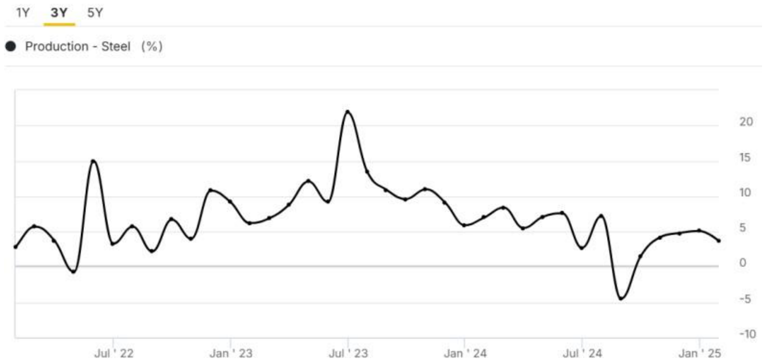
PRODUCTION - COAL (%)



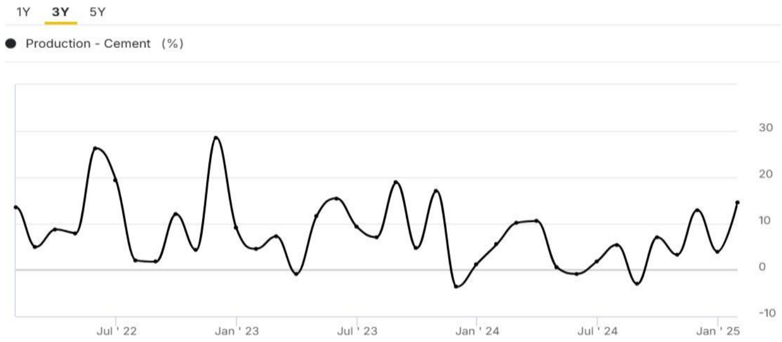
PRODUCTION - CRUDE OIL (%)



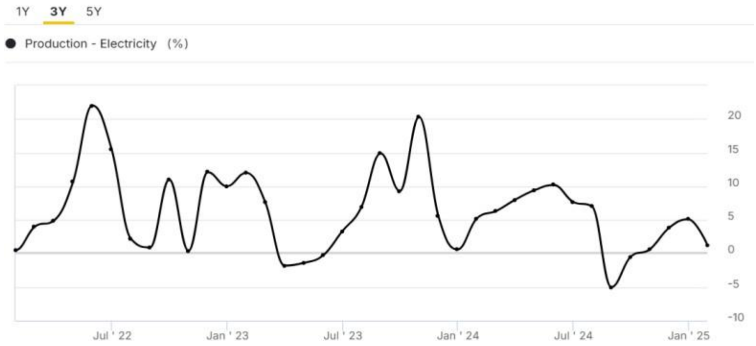
PRODUCTION - STEEL (%)



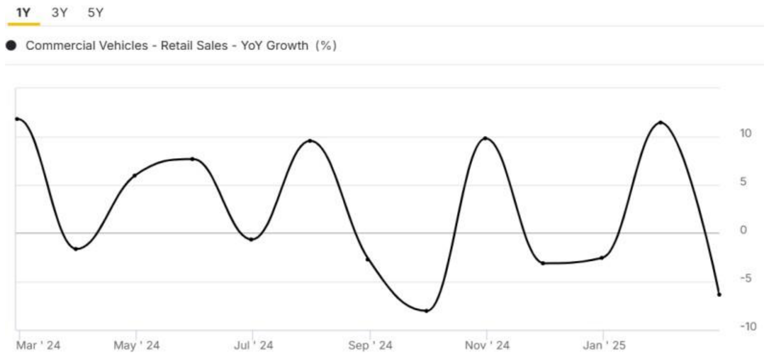
PRODUCTION - CEMENT (%)



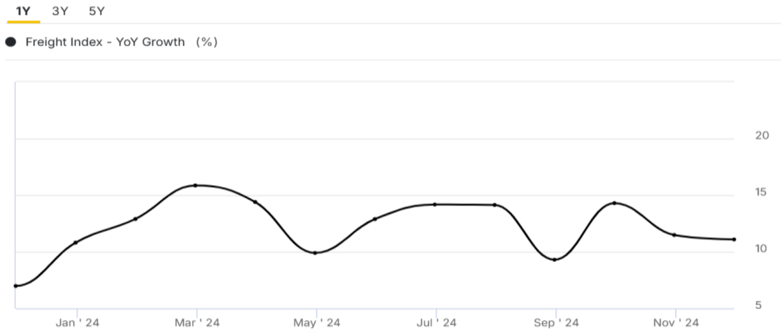
PRODUCTION - ELECTRICITY (%)



COMMERCIAL VEHICLES - RETAIL SALES - YOY GROWTH (%)



FREIGHT INDEX - YOY GROWTH (%)



Source: Internal assessment based on data from Tijori Finance

<u>Select Industrial Demand Indicators</u>

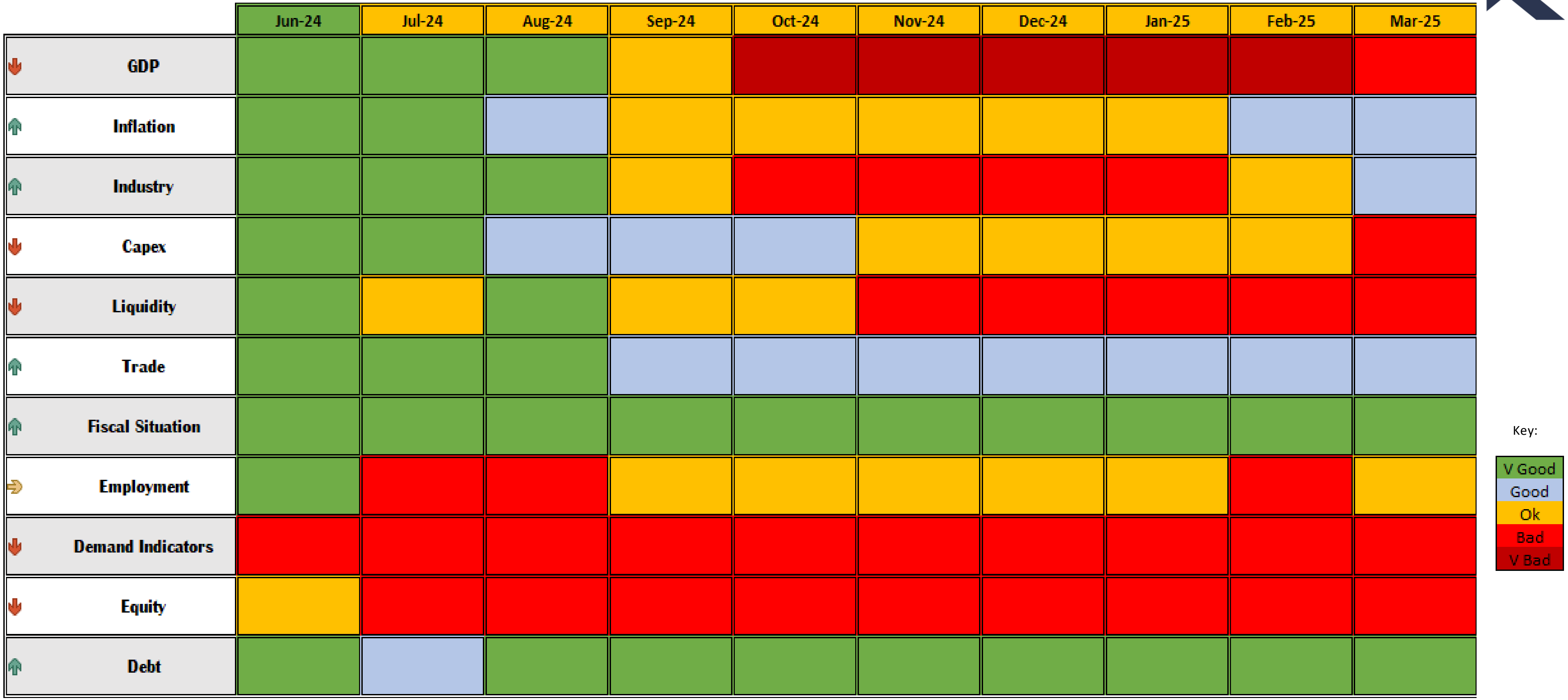
- **Crude oil production and Electricity generation have shown muted performance** over the past two quarters of FY 2024-25.

- Similarly, **Coal production, Cement output, Commercial Vehicle sales, and the Freight Index have remained relatively flat, indicating a period of stagnation** in these key sectors.

- The tendering & ordering activity in Q1 and Q2 FY25 was muted on account of elections/code of conduct. The same picked up pace in Q3 and Q4 of FY25. The same implies that **the remaining month of FY25E will witness hectic activity in terms of new tenders and ordering activity, as can be seen in few capital intensive sectors of late**.

- With the Union Budget and the RBI policy meeting behind us, the government has provided **fiscal stimulus to boost consumption** and the RBI has delivered **monetary stimulus by reducing the policy repo rate**—both measures aimed at spurring economic growth. These steps are expected to drive a short-term uptick in consumption and capital expenditure. However, whether this **expansionary approach will translate into sustained growth in consumption and gross fixed capital formation, remains to be seen**.

Economic Heatmap



<u>Cautious Optimism</u>

The domestic economy is displaying initial signs of recovery after emerging from a pronounced slowdown. Several economic indicators, such as GDP growth, consumer demand, and industrial performance, are beginning to reflect early signs of improvement. However, the persistent deficit in core liquidity continues to impede effective credit transmission to consumers, thereby constraining overall growth. Consequently, a sustainable recovery will largely depend on the revival of consumer spending and corporate capex. We will closely monitor developments to assess whether this recent upturn in a few high frequency indicators is structural or merely a dead cat bounce. For now, our stance remains cautious, and we continue to adopt a wait-and-watch approach.

Equity Outlook

Market Cap Risk-Return Profile/ PE-Multiples

Year	Nifty 50 Return %												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CY
2025	-1%	-6%	5%										-1.93%
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%

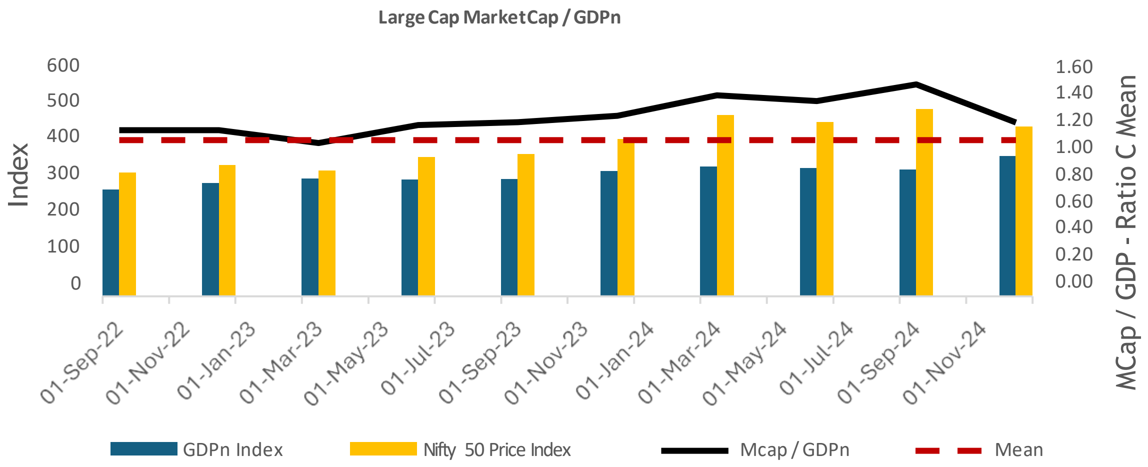
Risk-return Measures	Nifty 50	Nifty Mid Cap 150	Nifty Small Cap 100
CAGR Return %	11.5%	14.3%	14.5%
Standard Deviation	21.8%	26.5%	30.6%
Avg Months with +ve return / yr	7	7	6
Avg Months with -ve return / yr	5	4	5
Avg Months with >6% decline / yr	1	2	1
No of Years	25	19	11

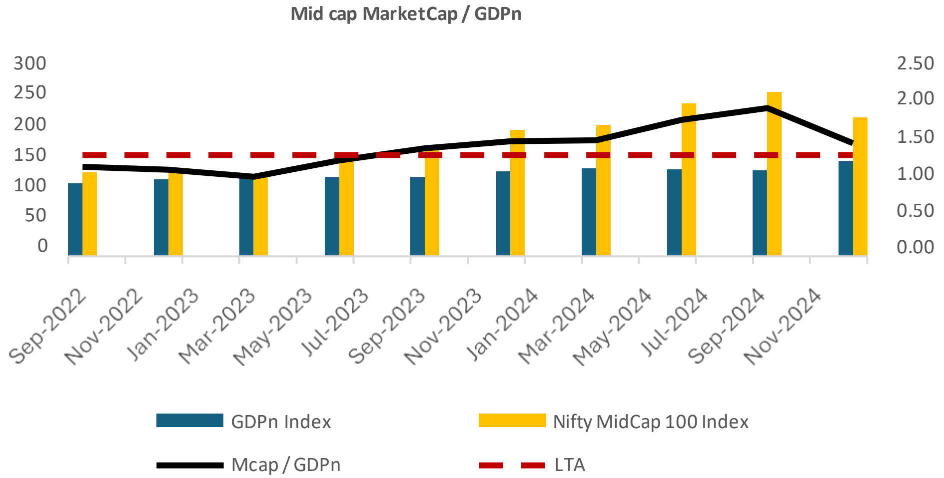
Tempered Down Expectations

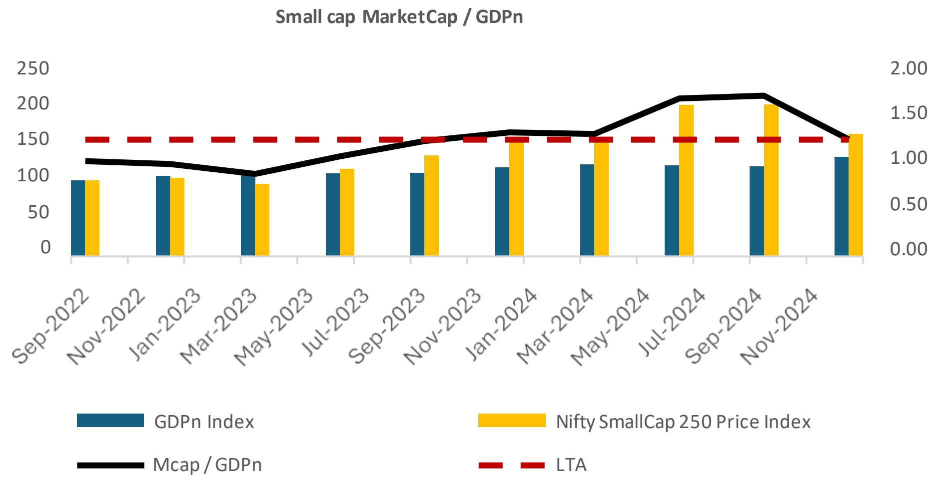
- **From Oct 2024 till Mar 2025, the Nifty 50 Index has declined ~10%**, sparking caution among investors. **Historically, the Nifty 50 has given a CAGR of ~11% over the past ~25 years**, with an average of only 1 month in a year where returns have declined by 6% or more (this number is the almost the 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 ~11% over a long-time horizon. **Similarly Mid Caps registered a CAGR of ~14% over the past ~19 years and Small Caps registered a CAGR of ~14% over the past ~11 years**. As we start CY 2025 with a modest -1% return in Jan 2025, -6% return in Feb 2025 and 5% return in Mar 2025 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**.
- **As per TTM PE valuations Mid Cap and Small Cap seem to be Overvalued and Large Caps Fairly-valued.**

Market Cap	Current PE	ng Term Average	emium / (Discour	Valuation
Large Cap	20.65	23.94	-14%	Fairly Valued
Mid Cap	34.46	32.26	7%	Overvalued
Small Cap	27.90	25.05	11%	Overvalued

BuffettIndicator



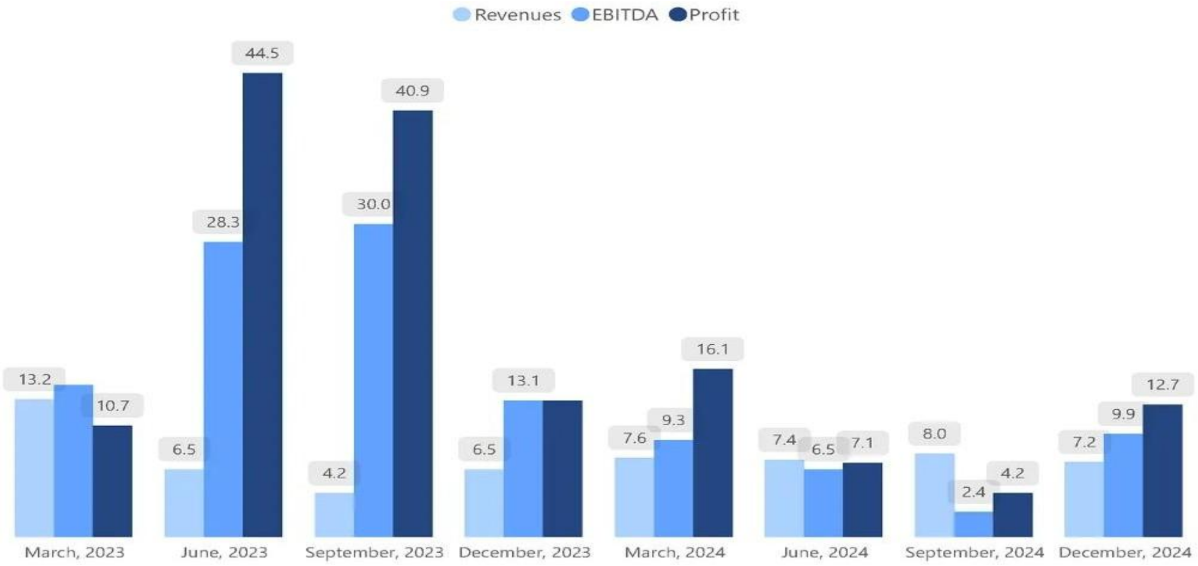




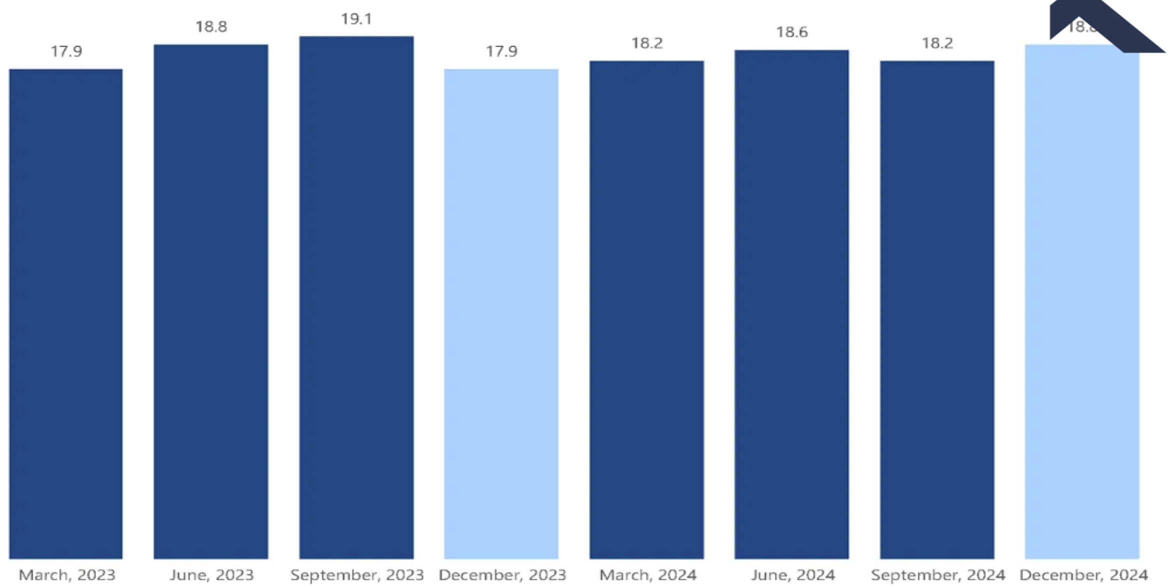
The present lofty valuations are further evidenced in the **high premiums exhibited in their Mcap/GDP ratios where Large Caps and Mid Caps are currently trading at premiums of approx 10.1% & 10.5%, whereas Small Caps are currently trading at Discount of approx 0.09%** (as per Buffet Indicator), as on 25th Mar 2025.

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

Quarterly Corporate Performance YoY %



Quarterly EBIDTA Margin %



Wait & Watch Strategy with a hint of Optimism

- The 3Q reporting season has come to an end and it was a **better quarter for corporate profitability compared to the last few quarters**. Based on a sample of over 4000 quarterly results (excluding Insurance and Investment Trusts), **reported profits grew at a 3-quarter high rate of 13% YoY during the quarter. This was driven by a 4-quarter high growth of 10% in operating profits (EBITDA). Revenue growth was, however, a modest 7%, broadly the same growth rate as in the preceding few quarters** (indeed modestly lower if one were to nitpick).
- So **Margin expansion was a key driver of profit growth during the quarter. EBITDA margins expanded almost 100bps on a YoY basis during the quarter after having declined in the preceding two quarters. And comes on top of a 100bps margin expansion during the December quarter of the previous year.**
- However, while overall profits rose, a **significant portion of the growth came from just a few large firms, masking weaker performance in broader markets**. The **profit-after-tax growth for BSE500 companies (excluding oil marketing firms) slowed to 8%, down from 21% in FY24. Revenue growth remained weak at 8%, marking the seventh straight quarter of sub-10% growth**.
- The **most concerning trend was the demand slowdown, which has now spread from export-driven industries to domestic consumption. High-end segments such as personal vehicles, hotels, durables, and jewelry, which previously performed well, saw a slowdown. IT firms stabilized despite seasonally weak Q3, while industrials, telecom, pharma, and chemicals showed moderate growth. However, small- and mid-cap firms, more dependent on domestic demand, underperformed large-caps.**
- **Consumption firms struggled, with FMCG volumes remaining weak as urban demand softened despite a gradual rural recovery. Consumers opted for smaller packs in premium categories, and even during the festive season, retail and fast-food chains saw muted sales. Automobile volumes remained under pressure, while real estate stood out with strong luxury housing demand. Electronics manufacturing services gained momentum, with long-term growth prospects looking strong.**
- Markets saw a sharp correction, with benchmark indices declining around 13% from record highs, and small- and mid-caps falling more. Despite this, valuations remain expensive. **Analysts expect earnings growth to improve in FY26 (4.4% FY25 expected EPS growth and 14.7% FY26 expected EPS growth for Nifty 50), but weak demand may lead to disappointment.**
- The **banking sector reported mixed results due to slowing loan growth, though lower credit costs supported profitability. Deposit mobilization remains a challenge, with system liquidity in deficit despite recent central bank measures. Lenders continue to face stress in unsecured retail loans, particularly in personal loans, credit cards, and microfinance.**
- However, the **overall improvement in profitability is broadly in sync with data suggesting that the December quarter was stronger for the economy compared to the September quarter. And we have got validation for this from the December quarter GDP data released on 28th Feb. If anything, the fact that the interest coverage ratio has continued to improve suggests that corporates are not yet borrowing in a meaningful way and thus corporate investment cycle has most likely continued to remain muted. Sometimes, too much of a good thing is also not that good. Currently it's a clear wait and watch strategy with a hint of Optimism.**

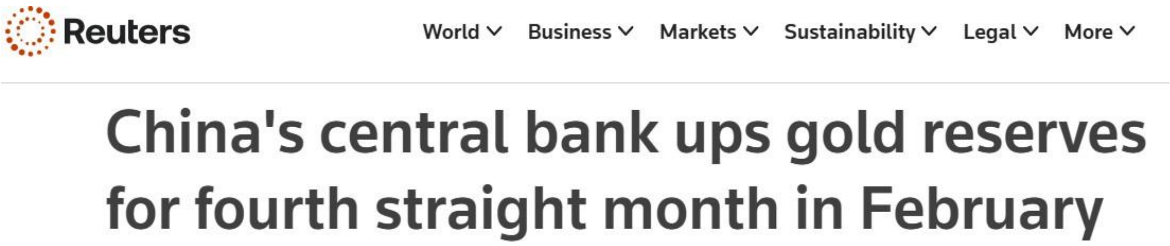
Source: India Data Hub, Bloomberg

Corporate Earnings

Sector	Key Takeaways
Banks	Q3FY2025 has been a tough quarter with higher credit cost (barring HDFCB and ICICIB), moderation in loan growth, slower deposit growth amid tight liquidity, moderate pressure on NIM, and lower trading gains. Unsecured retail segment continued to show higher delinquencies resulting in weak earnings/ return ratios, but we need to acknowledge that asset quality deterioration is not broad-based but limited to mid/small banks. PSU banks saw better earnings growth than private banks, led by lower credit cost. Private banks outperformed PSU banks on deposit growth and NIM fronts.
NBFC's	Outcome on NIMs/credit cost was mixed, but growth moderation was the common theme for Q3FY2025. Asset quality was stable for HFCs, but marginal stress build-up was seen in the CV business. SME loans and stress remained higher in the MFI segment along with personal loans. Growth/asset quality outlook remains the key challenge to ascertain; thus, investors should continue to remain selective in this space.
Insurance	APE growth remained healthy across our coverage universe despite the new surrender value regulations effective from October 1, 2024, vs. concerns around the sustainability of mid-teen growth, while VNB margins were lower mainly due to adverse product mix and the impact of surrender value regulation, but the impact was managed better. For non-life insurers, GWP growth was weak; however, on expected lines, healthy investment income and lower claim ratio drove earnings.
AMC's	AMC's reported healthy core performance, but AUM growth moderated q-o-q, given higher volatility in markets.
Automobiles	The PV segment reported mid-single digit volume growth led by good growth in utility vehicle sales while the passenger vehicle sales dragged. The 2W and CV segments had a weak quarter. Tractor sales were strong inline with the good rural demand. Exports in both PV and 2W are doing well.
IT	Tier1-IT service companies reported soft revenue growth in CC terms in a seasonally soft quarter impacted by furloughs while most Tier 2 companies showed resilience and outperformed the larger peers. EBIT margins for most Tier 1 firms improved aided by margin improvement programs while it was mixed for Tier 2
Cement	Cement companies reported soft performance during Q3FY2025 owing to weak realizations. Pricing has improved now and demand is also likely to increase in Q4 with the rise in government capex. Good volume growth is expected in FY26 as well.
Building Materials	The building materials sector reported low single digit y-o-y revenue growth as demand continued to be weak. Recovery was expected in H2 but it has been pushed to FY26. Plastic piping players were affected by the low PVC prices. Overall, muted revenue growth and OPM contraction led to decline in net earnings.
Infrastructure & Logistics	Logistics results remained soft due to subdued demand and a competitive environment. Infra, especially roads, stayed weak owing to lower tendering and slower
Real Estate	Companies in the sector reported a mixed quarter with few of the players recording strong pre-sales. Absence of new launches affected a lot of players. However, good pre-sales are expected going forward supported by the launch pipeline.
Power & Utilities	This quarter was again characterised by weak electricity demand and generation which affected some of the companies. NTPC and Tata Power reported decent results while CESC and Powergrid had a soft quarter. Renewable energy capacity addition is likely to act as a tailwind for all the companies.
Agri & Speciality Chemicals	Agrochemical companies reported a decent performance, driven by good volume growth in both domestic and export markets. UPL surprised on the upside with a swing in PAT to positive. In specialty chemicals, the revenue growth was decent but margins continue to be affected by the pricing pressure.
Consumer Discretionary	Demand improved during the festive period but tapered off after the festive period. Jewelry and hotel companies continued to deliver robust sales growth, while QSRs continued to report softer growth, however, there is a sequential uptick in the SSSG's of most of the brands.
Consumer Goods	Q3FY25 was another soft quarter with most consumer companies reporting low-mid single digit volume growth. Gross margins were hit due to rising commodity costs and insufficient price hikes, however, companies could restrict EBITDA margin decline through cost control initiatives. Alcobev companies performed better than staple and paint companies.
Pharma	The US market delivered a soft performance in the quarter. Overall, it was a decent quarter for pharma companies with chronic therapies leading the show while acute therapies was a little soft. Domestic market witnessed a good growth.
Capital Goods	Capital goods companies had a mixed quarter missing estimates on the bottom line front. Order inflows strong growth of 60-70% was a surprising element. Led by strong order inflows order book boosted to it's highest ever. The traction across sectors like T&D, Datacentre, real estate and defence remained strong. Revenue and bottom-line grew by ~23%/~19% YoY, however, OPM marginally declined by 47bps to 11.14% versus 11.62% for Q3FY24.
Metals	Ferrous companies reported muted operating performances led by falling steel realisations. The volume growth was good and and is likely to continue in Q4 with pickup in the government capex.

Source: Bloomberg, Sharekhan

February 2025 was marked by heightened global uncertainty, with the newly re-elected U.S. President imposing a series of protectionist tariffs on imports from China, Mexico, Canada, and global metal exports. While global equity markets remained resilient, Indian equities faced continued to face selling pressure in the first half of March followed by a slight uptick in the second half of the month. The correction in Indian equities followed concerns around elevated valuations, downward revisions in earnings expectations, and fears of retaliatory global trade actions. Foreign Portfolio Investors (FPIs) continued their cautious stance, pulling out ₹2.3 Lakh Crores since Oct 2024, while Domestic Institutional Investors (DIIs) have absorbed much of this pressure. Despite supportive domestic triggers such as tax cuts, rate reductions, liquidity support measures, and increased government expenditure, market sentiment remained muted. The correction has, however, brought large-cap valuations closer to historical averages, narrowing the India premium versus other emerging markets. Much of the mid- and small-cap rally since March 2023 has been PE multiples-led rather than earnings-driven, leading to concerns about sustainability when domestic demand waned. While macroeconomic fundamentals remain strong, evident in the Q3 FY25 GDP growth rebound to 6.2% (led by robust private and government consumption), the near-term market outlook is clouded by tariff uncertainties, global volatility, rupee depreciation risks, and lack of immediate quality earnings support for further valuation expansion. Over the long term, India's growth story is expected to be supported by macro stability, a revival in private capex, and rising discretionary consumption, setting the stage for sustainable earnings growth in over the next 3–5 years.


Reuters
World Business Markets Sustainability Legal More

China's central bank ups gold reserves for fourth straight month in February


Bloomberg
Live TV Markets Economics Industries Tech Politics Businessweek Opinion More

Markets

China Central Bank Buys Gold for 4th Month as Prices Hit Record

<u>**The Modern Era Gold Rush**</u>

- China continues to buy Gold to diversify their massive FX reserves, as part of their ‘**de-dollarization’ program**.
- Additionally, the **Chinese government has allowed the Chinese insurance companies which are managing ~₹4.3 Trillion to buy upto 1% in Gold** as an asset class, this in turn would lead to **incremental demand of ₹43 Billion**.
- **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.**
- **Amid global uncertainties surrounding U.S. tariffs, Gold has experienced a strong rally as a safe-haven asset**.

Source: Reuters, Bloomberg

<u>Tailwinds</u>

- Robust **structural long term economic growth**.
- Early signs of **domestic demand recovery.**
- **Moderating inflation.**
- **Rebound in Government Capex** : After a slowdown in CY24 due to election-related delays, government capex is accelerating, with a record ₹973 billion in new orders (highest in 5 years). This resurgence, led by infrastructure and energy, signals strong long-term investment cycles.
- **Valuations closer to long term averages**: Valuations, which were trading above their 10-year averages, have now corrected significantly, offering attractive long-term entry points. The Nifty 50 P/E and P/B ratios are near historical lows, resembling levels seen during the COVID- 19 correction. Small and midcap segments, which saw sharp corrections, are now better valued, though quality remains a key monitorable.
- **Earnings Rebound Expected**: Corporate earnings bottomed out in Q3FY25 and are projected to recover from Q2/Q3FY26, aided by a low base effect and stronger macro tailwinds.

<u>Headwinds</u>

- **Subdued earnings** to continue for another quarter atleast.
- **Earnings Quality remains weak, especially in the SMID Cap segment.**
- **Foreign flows redirecting towards US** and general risk off sentiment due to a **slower than expected rate cut cycle** in the US, and **falling rupee**, leading to heightened market volatility.
- Uncertainty over **Trump's impending trade policies**.

<u>Outlook</u>

- **Heightened Volatility with a slight downward bias / Risk Off Sentiment.**

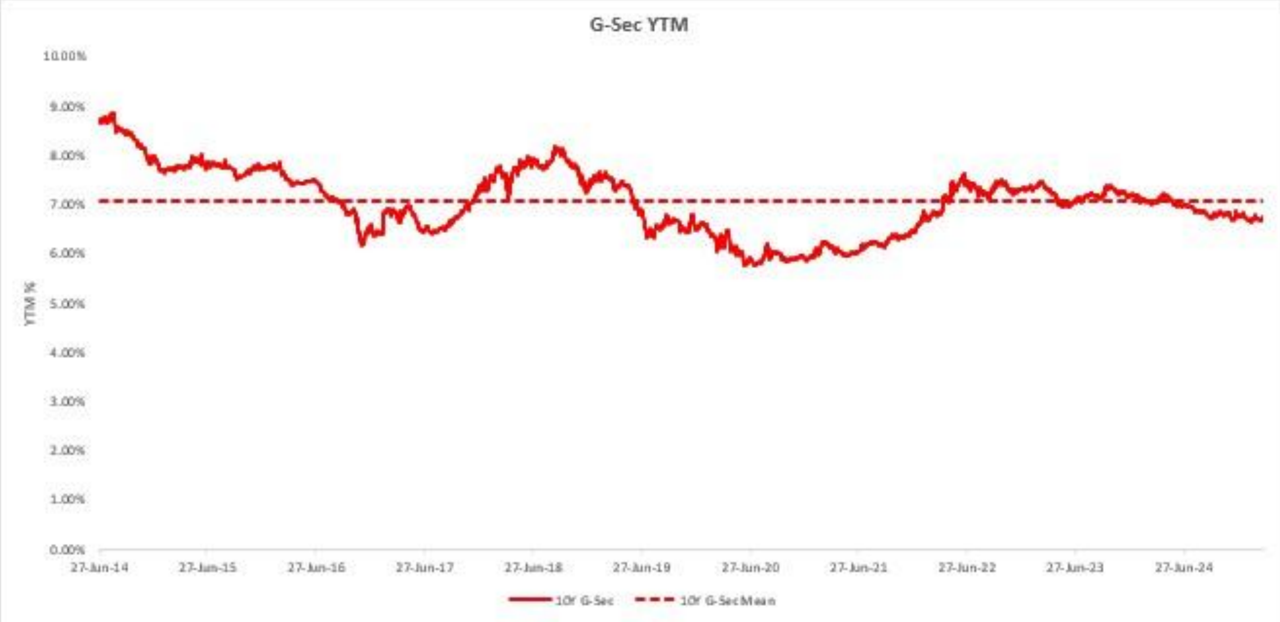
<u>Suggested Strategy</u>

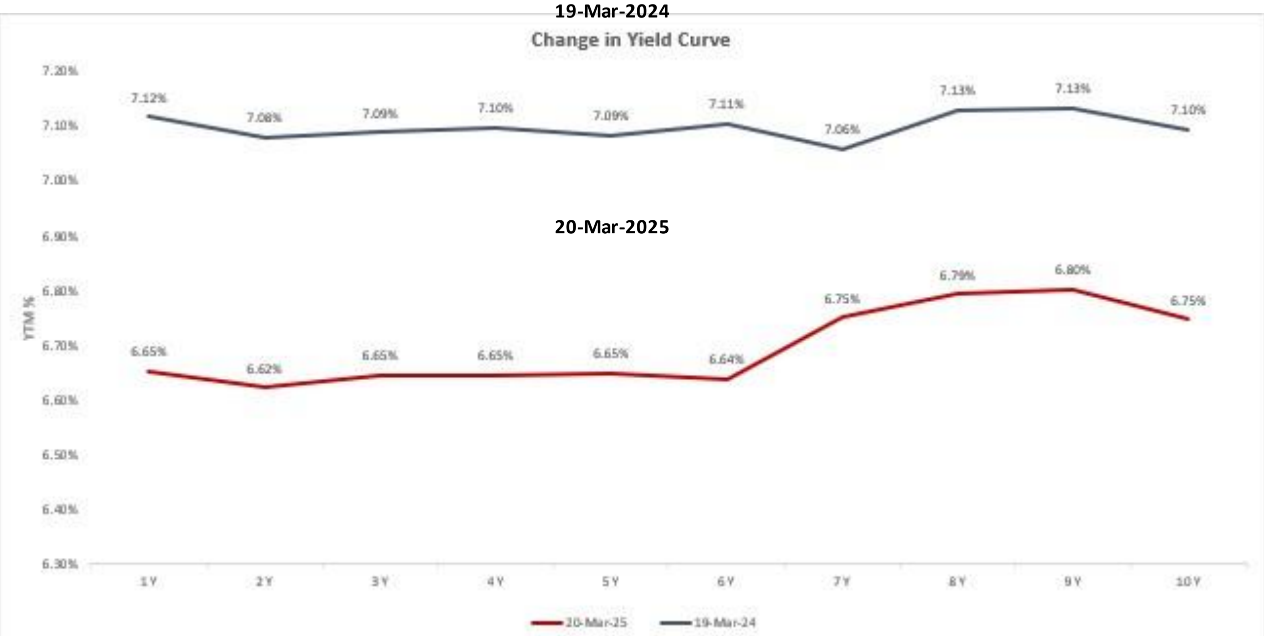
➢ ***Underweight Equity***

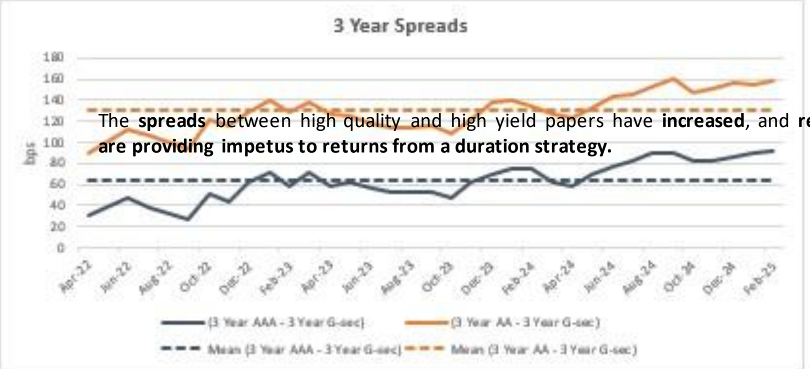
Category	*Stance*
Large Cap	*Neutral*
Mid Cap	*Underweight*
Small Cap	*Underweight*

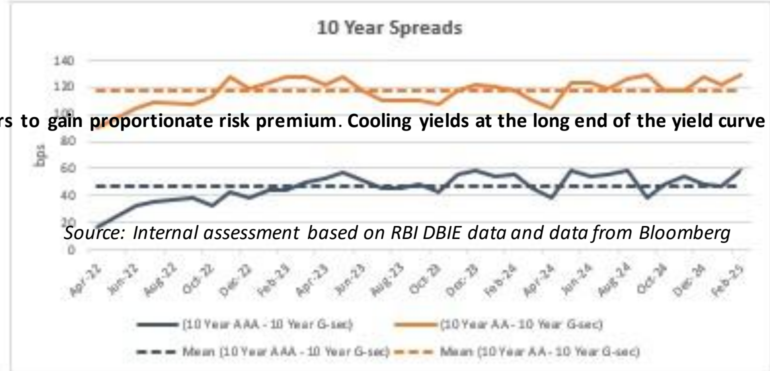
➢ ***Neutral Gold***

Debt Outlook









The **spreads** between high quality and high yield papers have **increased**, and **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.**

Source: Internal assessment based on RBI DBIE data and data from Bloomberg

Commentary

RBI announced big new measures in Feb-Mar 2025 to shore up liquidity. These include INR 1 lakh crores of OMO (Open Market Operations) purchases, and a USD 10 billion 3 year buy/sell swap for the week after. These come on top of large steps taken already including approximately INR 1.4 lakh crores of OMOs and USD 15 billion of buy/sell swaps. The new steps thus constitute the next offensive in RBI's response function, and exceed in size any market expectation. They are particularly relevant as they signal a decisively aggressive approach.

An underlying starting observation here is that there are limits to which an emerging market (EM) central bank can offset imported tightening of financial conditions. Put simply, RBI has been active in forex defense via selling large sizes of dollar. There is accompanying destruction to domestic rupee liquidity that it has been trying to offset via both temporary and permanent measures. **Over 2 months starting October 2024 there was almost a INR 4 lakh crore rupee liquidity destruction, largely owing to RBI's forex interventions but also partly owing to seasonal rise in currency in circulation (CIC) and possibly some bond holding roll-offs in RBI books**. The first **strong response to this was via the CRR cut in December**. RBI has further appreciably stepped up its response during the current quarter, but it has still been a 'running to stand still' exercise to some extent, since liquidity drain has also persisted both from forex operations to counter the USD run up as well as further rise in CIC. As a result, core liquidity was almost zero at end of February.

While the **MPC cut the repo rate in February, the liquidity conditions haven't been conducive to broad-based transmission**. However, RBI's recent actions indicate a shift toward proactively supplying core liquidity, ensuring a more stable environment for future rate cuts. Projecting current growth rate on last year's trends for CIC, **approximately INR 1.4 lakh crores drains out of the system between March beginning and early May. Assuming some further modest dollar sales, it is possible that core liquidity will be almost close to zero again by middle of May**. However, it will then receive a **massive boost from RBI dividend to government (market expects around INR 2.5 lakh crores). Further, there is a seasonal reversal in CIC between late May and end September of approximately INR 1 lakh crores, before leakage starts again from October**. Thus, **core liquidity situation is expected to look comfortably positive from mid / late May**. Further if, as we had hoped for, if there is a **redistribution of global growth underway** (from a very US centric narrative thus far) that continues **weakening the dollar and takes the pressure off from INR, then core liquidity surplus can improve even further**.

Key Takeaways

- The measures announced recently are far more in size than any market expectation and possibly signal RBI's intent to sustainably move core liquidity into positive mode. With these steps, and with some help from global triggers, **one can look forward to a substantially positive core liquidity environment especially from end May onwards**.
- With RBI's new reaction function clearer, one also has greater confidence that should liquidity conditions not evolve as currently envisaged, further steps will be proactively forthcoming to ensure that rate cut(s) have an enabling underlying environment for transmission.

In the near term, we believe current elevated yields offer an attractive entry point, especially in high-quality issuances. However, investors must remain cognizant of external risks, particularly dollar strength and US policy direction, which could influence further RBI intervention in forex markets, potentially tightening rupee liquidity once again.

The RBI's liquidity strategy reflects a delicate balancing act - supporting growth, defending the currency, and managing inflation expectations. While short-term pressures persist, the medium-term outlook looks positive provided macro stability is maintained. The bond market's trajectory will be determined by how effectively this liquidity transition is managed and how global uncertainties evolve in H1 FY26.

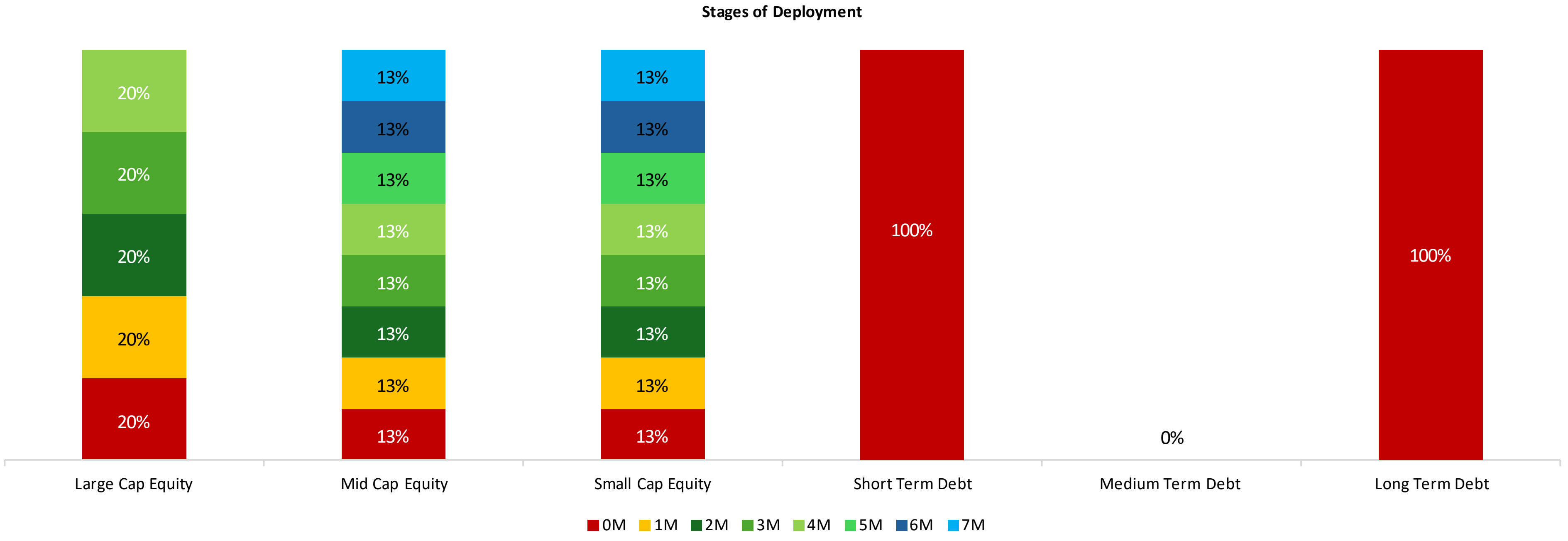
Suggested Strategy:

❖ ***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 allocation to high quality short term bonds and high quality longer duration 10yr+ GSec/AAA bonds. This strategy has a 3 pronged advantage, in anticipation of bull steepning of the 1-10Y or 1-15Y yield curve – (i) cutting out reinvestment risk thus locking in a high quality TMF (Target Maturity Fund) at a higher yields (ii) Increased duration benefit at the longer end of the yield curve (iii) taking advantage of the*** **current elevated yields at the short end of the yield curve which offer an attractive entry point, especially in high-quality issuances.**

❖ ***Overweight Debt but Liquidity to be tracked very closely.***

Deployment Strategy

Deployment



Indicators:

Indicators signaling over heated market conditions –

- VIX at ~13 levels.
- Consumption demand and Investment activity subdued for now, but early signs of pickup.
- TTM PE for Mid Cap and Small Cap Indices still above their LTA, albeit much closer to their LTA's.
- FII's have been net sellers since Oct due to depreciating rupee and un/less profitable carry, however this trend is slowing down.
- Core Liquidity deficit which should improve from May onwards.

Indicators signaling fair valuation -

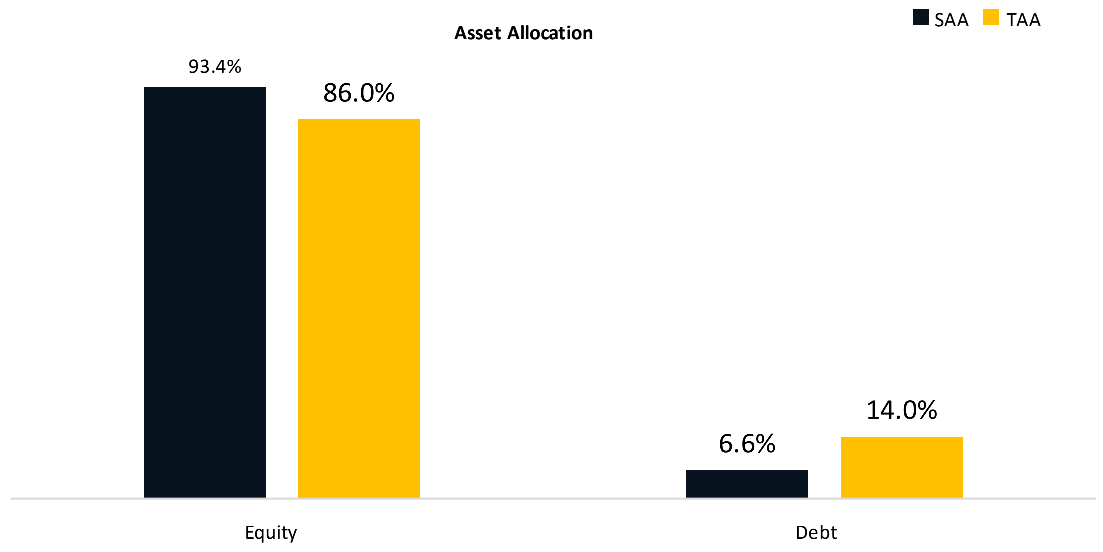
- Trade data signaling a possible reversal in domestic demand.
- TTM PE for Large Cap Index below it's LTA and Market Cap/GDP for Large Cap, Mid Cap and Small Cap are close to their respective LTA's.

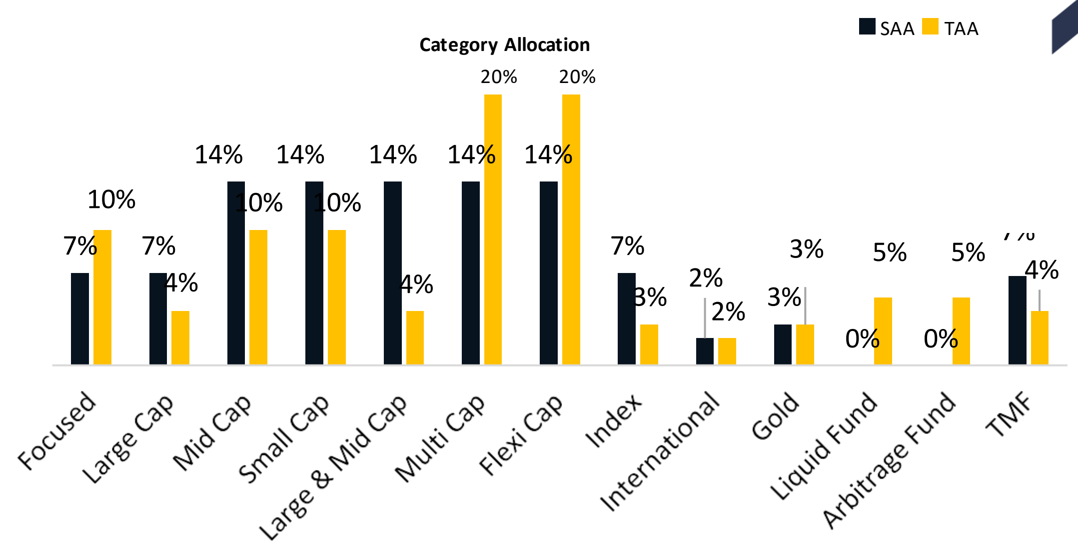
Deployment Strategy:

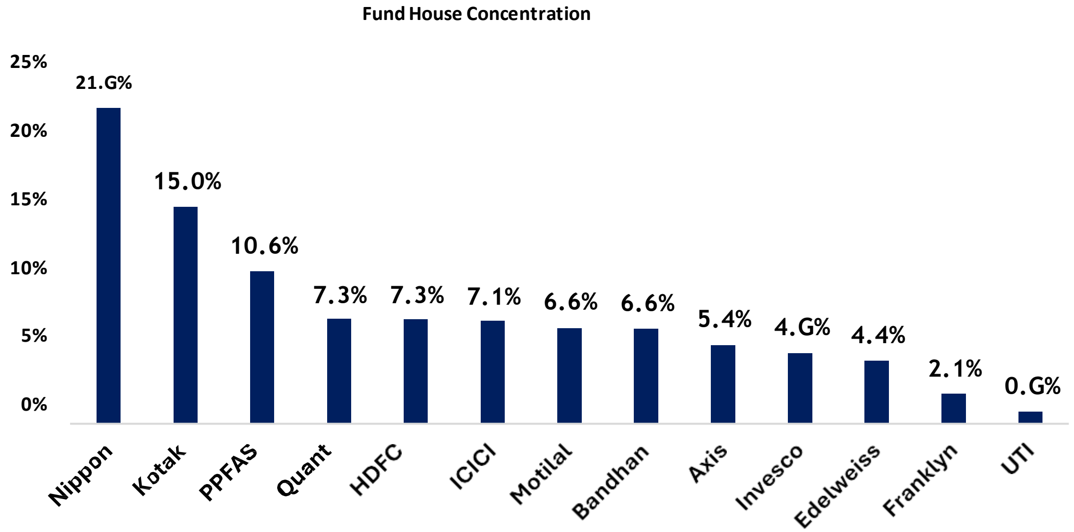
Staggered Deployment over the next 7 months -

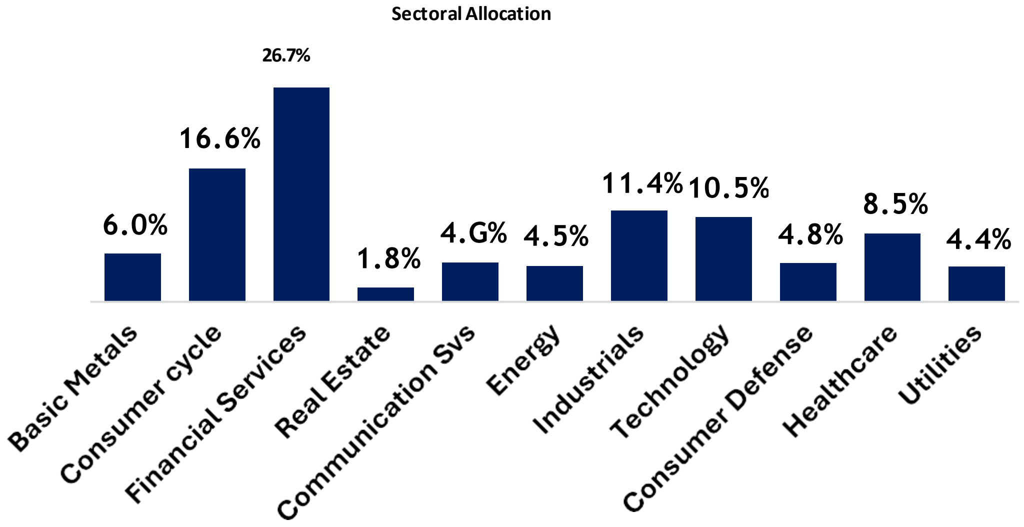
- Large Cap – 20% immediate deployment and 20% in each month in the next 4 months
- Mid Cap – 12.5% immediate deployment and 12.5% in each month in the next 7 months
- Small Cap – 12.5% immediate deployment and 12.5% in each month in the next 7 months
- Short Term Debt – 100% immediate deployment
- Long Term Debt - 100% immediate deployment (Duration strategy)

Optimus Prime
Model Portfolio

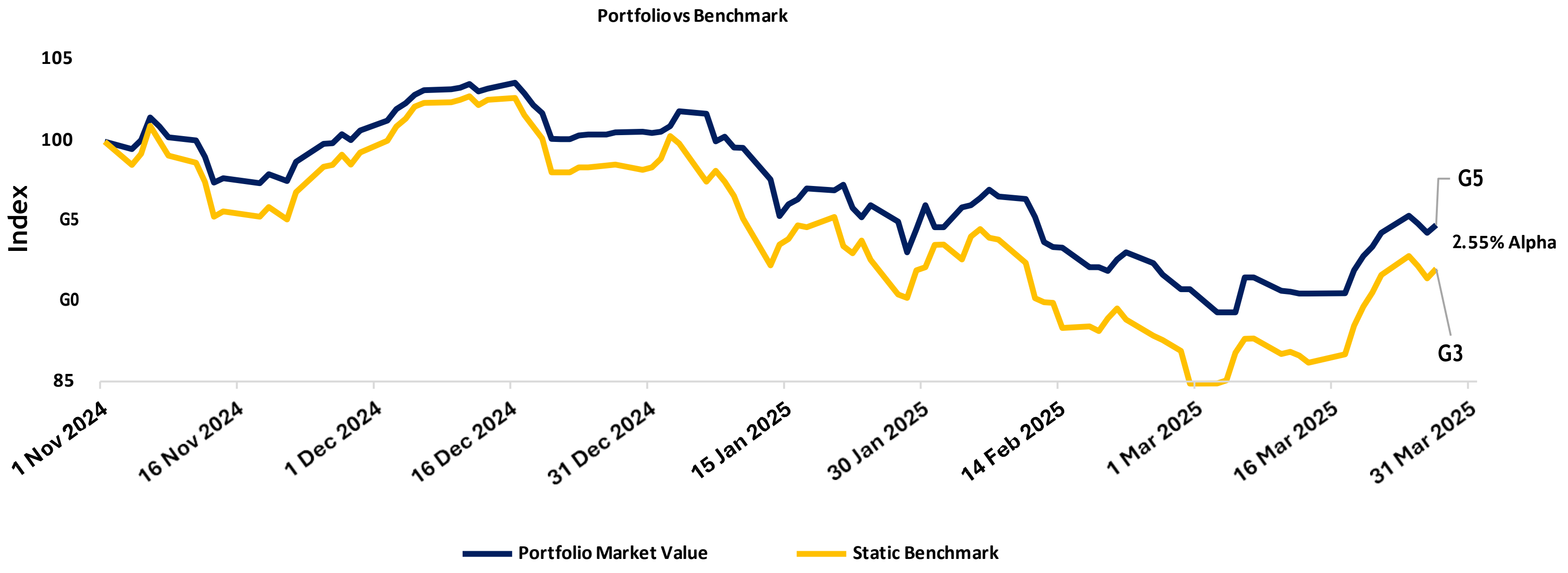


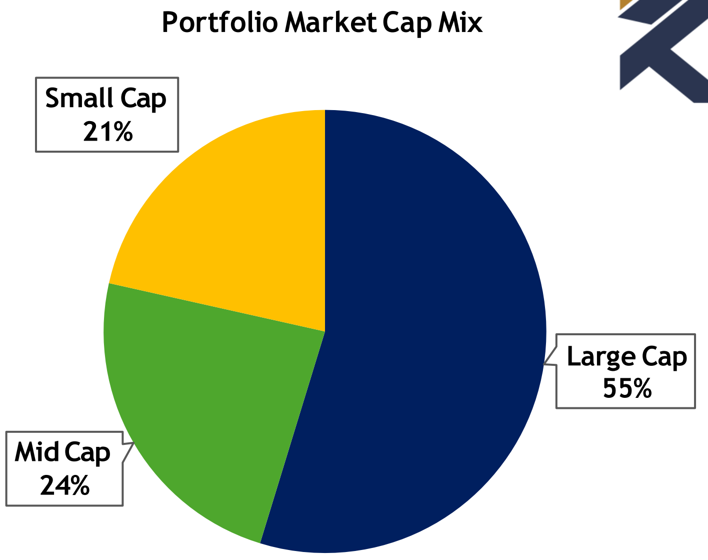






**SAA - Strategic Asset Allocation & TAA - Tactical Asset Allocation*, Commodity and International Allocation considered as Equity Allocation, Arbitrage Funds & Liquid Funds Allocation considered as Debt Allocation, and is temporarily parked for the short term and will be deployed opportunistically, Portfolio Inception date - 1st November 2024, Portfolio values are as on 31st March 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 %	-4.87%	-7.42%
Standard Deviation (annualized)	12.66%	15.86%
Beta	0.79	
Alpha	***2.55%***	
Information Ratio	2.71	
Downside Capture	**61.05**	

Debt Portfolio Analytics

Debt Measures	Jan-25
Average MoD	5.2
Average Maturity	7 yrs
Average Coupon	NA
Average Credit Rating	**Nov-24**
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 31st March 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 ca is an Aggressive portfolio strategy

Current Investment Portfolio Stance: ***Conservative***

In our latest meeting, the investment advisory committee decided to continue with it's **Conservative Approach**. It was unanimously decided that the portfolios would feature **significantly reduced exposure to Mid and Small Cap equities (~10-11% underweight) as the committee adopted an underweight position in equity (7.4% underweight)**. Our conservative decision reflects a general **'risk off" sentiment** and **market uncertainties** - The **impending US tariff structure under the new regime, sluggish domestic demand leading to muted corporate earnings, tight core liquidity in the banking system mainly on account of RBI invention in the forex markets due to a depreciating rupee**.

The committee anticipates **high volatility and a low-return environment** following Trump's new tariff structures. There has been a **noticeable shift of capital towards the US, highlighting a flight to perceived safer assets**. Amid frequent and substantial capital outflows, RBI's intervention to manage currency fluctuations remains persistent. This approach aims to ensure that even with muted returns in the short term, individuals achieve real-term profits.

As we witness a **lower growth trajectory in urban demand indicators, it would be prudent to lower equity return expectations in CY 2025**. That said, we remain **optimistic about India's long-term growth story**.

Albeit a very short timeframe, our strategy has paid off so far. The current conservative stance has proven effective in navigating the current market volatility, with the portfolio continuing to generate **Alpha in January (2.55%)** despite a challenging market environment, with a **Beta of 0.7G** and **Information Ratio of 2.71** representative of a high risk-adjusted performance in comparison to it's benchmark, and a **downside capture of 61.05%,** indicating that the portfolio's superior performance in comparison to the benchmark during negative return periods, effectively outperforming it in down markets.

The committee has agreed to **maintain this strategy until the domestic demand situation improves on a sustainable basis** and there is more **clarity on the new tariff structure as anticipated on 2nd April**. The Asset Allocation stance would be then **revaluated based on new market dynamics**.

The focus currently remains on **<u>preserving capital</u>** and **<u>generating consistent Alpha</u>** amid challenging conditions.

Disclaimer

Kilika Capital, operating under Kilika Partners LLP, is an AMFI registered distributor (ARN: 278590) and functions in compliance with the applicable regulatory framework in India . The information contained herein is strictly confidential and is intended solely for the recipient(s) to whom it is addressed. Any unauthorized access, review, use, disclosure, dissemination, distribution, or copying of this communication, in whole or in part, is strictly prohibited and may attract legal consequences under applicable laws. If you are not the intended recipient, please refrain from any further use or disclosure of its contents, notify the sender immediately, and delete the communication from your system. Any advice is incidental. Investments are subject to various risks, including but not limited to market, credit, operational, and liquidity risks. Prospective investors are strongly advised to read the scheme / fund related documents, offering memorandums, disclosure documents, and other associated materials, including risk factors, carefully and thoroughly before making any investment decisions. Investments are inherently subject to market fluctuations, including loss of principal and there is no assurance or guarantee of returns, nor of achieving the stated investment objectives. Unplanned cash inflows or outflows during the investment horizon can influence both the net worth and the timeline for achieving the specified financial objective. Past performance of any investment is not indicative of its future performance. Investment decisions shall be made solely at the discretion and risk of the investor. Any assumptions, projections, or analyses provided by Kilika Capital are based on prevailing market conditions and internal assessments on best effort basis, and there is no representation, warranty, or guarantee, expressed or implied, that these assumptions or projections will materialize. The information and analysis provided is for educational purposes only and is not a buy/sell recommendation . Kilika Capital and its partners, directors, employees, or agents shall not be liable for any losses or damages, including without limitation, any direct, indirect, or consequential losses. The Audio version of this report, if available, has been generated using artificial intelligence and may not capture all nuances or updates. While we strive for accuracy and timeliness, Kilika Capital does not guarantee the completeness, accuracy, or reliability of the information provided. By accessing or listening to the audio, you acknowledge and agree to the terms of this disclaimer. The terms of this disclaimer are subject to change without prior notice, in alignment with prevailing laws, regulations, or amendments thereto. Kilika Capital reserves the right to modify or withdraw this communication at its sole discretion and without prior notice.

This document is for informational and educational purposes only and should not be regarded as an offer to sell or as a solicitation of an offer to buy the securities or other investments mentioned in it. Investors are advised to refer to the Disclosure Document for detailed risk factors/disclaimers. Securities referred to in this document are not an endorsement of their soundness or a recommendation to buy or sell. The same may or may not be a part of our approach in future or any other approaches launched from time to time. The document is prepared on the basis of publicly available information, internally developed data and other sources believed to be reliable. All opinions, figures, charts / graphs, estimates and data included in this document are as on a specific date and are subject to change without notice. Kilika Capital, associate concerns or affiliates or any of their respective directors, employees or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information or any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way from the information contained in this material. Whilst no action has been solicited based upon the information provided herein, due care has been taken to ensure that the facts are accurate, and opinions given are fair and reasonable.

Disclaimer for U.S. Persons: Kilika Capital is not a registered broker – dealer under the U.S. Securities Exchange Act of 1934, as amended (the“1934 act”) and under applicable state laws in the United States. In addition, Kilika Capital is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by Kilika Capital, including the products and services described herein are not available to or intended for U.S. persons. The details in this document does not constitute an offer or invitation to purchase or subscribe for any securities or solicitation of any investments or investment services and/or shall not be considered as an advertisement tool. “U.S. Persons” are generally defined as a natural person, residing in the United States or any entity organized or incorporated under the laws of the United States. US Citizens living abroad may also be deemed “US Persons” under certain rules.

Disclaimer for U.K. Persons: The details in this document have not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 “FSMA”. In the United Kingdom, this document is being distributed only to and is directed only at (a) persons who have professional experience in matters relating to investments falling within Article 19 (5) of the FSMA Financial Promotion Order 2005 the “Order” ; (b) persons falling within Article 49 (2) (a) to (d) of the Order (including high net worth companies and unincorporated associations ; and c any other persons to whom it may otherwise lawfully be communicated all such persons together being referred to as “relevant persons”). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on neither this document nor any of its contents. This document must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person.

Disclaimer for Canadian Persons: Kilika Capital is not a registered adviser or dealer under applicable Canadian securities laws nor has it obtained an exemption from the adviser and/or dealer registration requirements under such law. Accordingly, any brokerage and investment services provided by Kilika Capital, including the products and services described herein are not available to or intended for Canadian persons. This presentation and its respective contents do not constitute an offer or invitation to purchase or subscribe for any securities or solicitation of any investments or investment services.

For any further clarifications or assistance or corrections or suggestions, please contact us at siddharth@kilikacapital.com.

Kilika Capital, operating under Kilika Partners LLP, is an AMFI registered distributor (ARN: 278590). LLP Identification Number: ACC-1593.

THANK YOU

Piyush Sharma

E-Mail: piyush@kilikacapital.com

Siddharth Jadeja, CFA

E-Mail: siddharth@kilikacapital.com