An India focused Large Cap AIF CAT III

Monthly Performance of Indices

Nifty : 24750.70 (+1.71%)
Sensex : 81451.01 (+1.51%)

09th Jun 2025

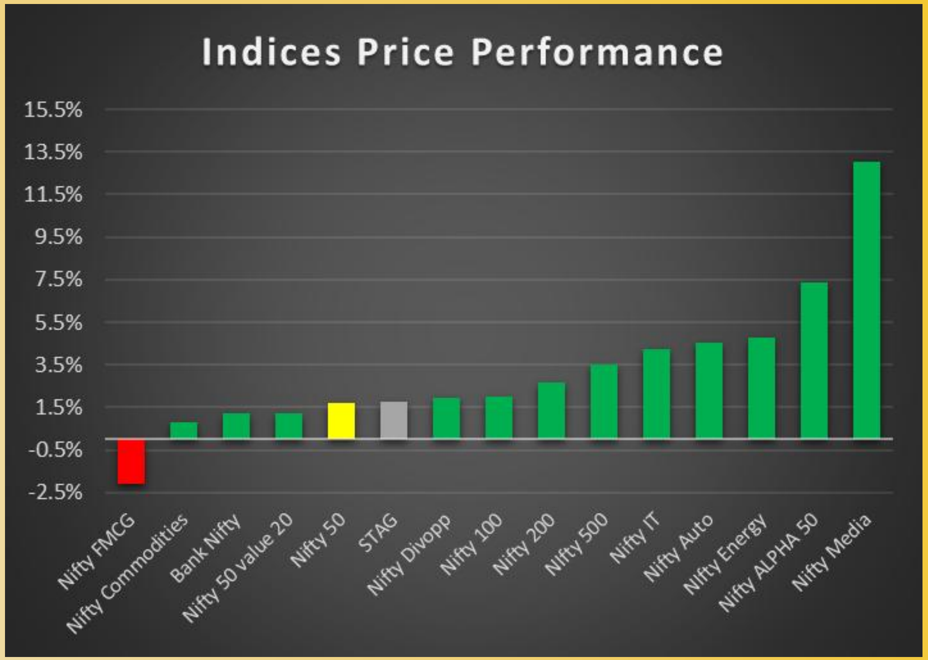
Dear Investors,

- After two strong pullback months in March and April, May turned out to be a month of consolidation. Markets largely discounted key developments such as the Indo-Pak mini-conflict, Trump's tariff threats, a recovery in corporate earnings, and elevated US bond yields
- After the nervousness between Oct-24 and Feb-25, the market is finally finding its footing. However, the same cannot be said for investor confidence. In our interactions with investors and distributors, while anxiety has subsided, confidence in the market remains lacking. There is a prevailing sentiment that the upside is limited, while the risk of downside is greater.
- Having said that, the broader concerns can be summarized as below:
  - **Trump Trauma: Tariffs or any move to disrupt India–US Trade**.
    - *Concern:* Trump, in his attempt to fix the US economy, may hurt Indian trade and economic prospects.
    - *View:* Volatility and Trump have always gone hand in hand, and some turbulence is expected. However, markets will gradually discount both Trump and his actions. Geopolitical outcomes are rarely binary. We believe India–US trade relations will eventually reach new heights, especially once a formal trade deal is signed.
  - **Indo-Pak Tensions with China's Backing-**
    - *Concern:* While there may be a ceasefire now, China could strengthen Pakistan and provoke further conflict.
    - *View:* The way India handled the situation and successfully mobilized global consensus makes it difficult for Pakistan or China to isolate or corner India. This strategic maturity is likely to enhance India's valuation multiples. Moreover, the absence of FII outflows from both equity and debt markets reflects continued global investor confidence.
  - **Earnings & Valuation-**
    - *Concern:* Earnings have been tepid, and valuations are above the 10-year average—raising fears of an impending correction.
    - *View:* Earnings have improved in Q4 with government and private capex back on track, showing more upgrades than downgrades. The 10-year average valuation is misleading, as earnings growth was just 2% between 2014–19 but around 15% after 2019. Since 2015, valuations have ranged between 20x–28x. With Nifty EPS likely near 1250 by March 2026, downside is limited and upside remains significant.

Let's understand the points which impacted the markets this month and how did market react to it

- Q4FY25 earnings were largely better than the previous two quarters, with most companies reporting results that exceeded expectations.
  - Banks and autos led the strong performance, while FMCG showed modest growth amid a tentative rural recovery.
  - IT companies continued to struggle, as revenue visibility remains weak.
  - Overall, while the numbers did not surprise, management commentary was cautiously optimistic, indicating that margins are bottoming out and revenue growth is modest but positive.
  - There were early signs of improvement in cement, capital goods, and consumer sectors. Large caps delivered steady performance, whereas mid and small caps showed divergence.
- Following the Pahalgam attack in April 2025, India's retaliation escalated tensions with Pakistan, leading to a brief war-like scenario before a ceasefire. Despite a minor correction, the broader market remained steady, reflecting confidence in India's fundamentals as FII flows stayed positive.
- RBI's supportive liquidity measures, including OMOs, a 50 bps repo cut, and a 100 bps CRR cut in June—the third rate cut since February—boosted market sentiment. The Nifty crossed the key 25,000 level.
- As the chart shows, broad-based sector rallies took place as investors deployed cash, with a preference for companies with stronger earnings as growth was rewarded over value.

Monthly Returns



Stock	Stock
Structural	
ICICIBANK	ZOMATO
MARUTI	CHOLAFIN
SBIN	TATAPOWER
BHARTIARTL	TATAMOTORS
RELIANCE	
Medium Term	
BANKBARODA	HINDUNILVR
AMBUJACEM	
Momentum	
AXISBANK	INDIGO
Contra	
JUBLFOOD	JIOFIN

- May was a positive month for the portfolio, delivering a gross return of 1.8%, while the Nifty rose 1.7% over the same period. Gains were largely driven by Tata Motors (+11.7%), Jio Financial (+10.1%), and Cholamandalam Finance (+7.3%), which were standout performers. The biggest laggard was Jubilant Foods, down 8.4%. There was no churn in the portfolio, but new inflows were used to increase the weight of Reliance and Tata Motors. Incidentally, May marked the third consecutive month of positive FII flows, though net inflows remained small as blocks from strategic investors and promoters absorbed liquidity from the market.

- Overall market strength and flows are supported by stability in earnings. Within the portfolio, we saw superior earnings performance from Ambuja, Bharti, ICICI Bank, Indigo, Jubilant Foods, Reliance Industries, and Tata Power, while Bank of Baroda, Eternal, Maruti, and Tata Motors showed disappointment.

- Looking ahead to FY26 earnings, we see the following tailwinds:
  - A lower base for FY25 earnings, implying optically higher growth
  - Strong liquidity support from the RBI
  - The government kickstarting the capex cycle
  - Decreasing inflation and crude prices, which should aid margins

- At 25,000, the market is trading at around 23x P/E. Given the historical range of 20x to 28x and our expectation of Nifty EPS between 1200 and 1300, we see more upside than downside for the index and would not rule out a 20% return this financial year.

Monthly Returns

Gainers		Losers	
Stock	Returns	Stock	Returns
TATAMOTORS	11.68%	JUBLFOOD	-8.37%
JIOFIN	10.07%	BHARTIARTL	-0.45%
CHOLAFIN	7.29%	BANKBARODA	-0.15%
SBIN	3.00%		
AMBUJACEM	2.56%		
ETERNAL	2.49%		
TATAPOWER	2.19%		
NIFTY	1.71%		
INDIGO	1.53%		
ICICIBANK	1.32%		
RELIANCE	1.13%		
AXISBANK	0.61%		
MARUTI	0.51%		
HINDUNILVR	0.26%		

Since Inception Returns

Gainers		Losers	
Stock	Returns	Stock	Returns
BHARTIARTL	27.18%	TATAMOTORS	-24.41%
INDIGO	26.13%	JIOFIN	-19.54%
ETERNAL	20.82%	AMBUJACEM	-15.76%
ICICIBANK	18.70%	BANKBARODA	-11.18%
JUBLFOOD	18.00%	TATAPOWER	-9.12%
CHOLAFIN	11.94%	AXISBANK	-7.25%
HINDUNILVR	3.96%	RELIANCE	-6.61%
NIFTY	3.69%	SBIN	-3.91%
MARUTI	0.99%		