February 2025

FUND MANAGERS COMMUNICATION

Global Market:

During the month of January 2025: S&P 500 was up by 2.93%, Dow Jones was up 5%, Nikkie was down by -0.72%%, Nifty 50 was down by -3.25%.

Global inflation moderates: Our G20 GDP weighed inflation eased 10bps to a three-year low at 4.4% in Nov'24. Central banks are cautious regarding the easing as price upticks on account of trade wars remain a top concern. The inflation print in advanced economies had been closing on the Central bank's target. The latest inflation prints, however, of the last two months, see some hardening. While inflation is expected to rise in the UK and the US, inflation in China further moderated to a ninemonth low of 0.1%.

Global industrial production shows de-growth in industrial activity in Nov'24. Our GDP-weighted industrial production index fell to 0.7% in Nov'24 from 1.9% in the previous month. Global industrial production declined due to slowdowns in China, Russia, the USA, Germany, and Japan. However, India remained one of the strongest industrial performers among G-20 countries.

US Economy: Jobs data for December in US has been above expectations at 256,000 addition in non farm payrolls, biggest increase since March. In Recent Policy the US Fed opted to remain on hold at 4.25% -4.5%, as widely expected.

Domestic Market:

GST Collection: The (GST) collections for January 2025 stood at ₹1.96 lakh crore, marking a 12.3% year-on-year growth.

Auto numbers: In Jan'25, tractor wholesale volumes grew in double digits y/y on healthy agricultural activity and a favourable base. Improving urban/rural and hatchback (indication of a pick-up in first-time buyers) demand led to slight growth in PVs, despite a high base. CVs showed slight growth, led by a favourable base in M&H CVs and infrastructure pick-up. 2Ws were a tad positive. Ahead, positive rural markets, increase in discretionary income and pent-up demand would keep 2Ws and the entry 4W momentum healthy.

PMI: The HSBC India Manufacturing Purchasing Managers Index rose to 57.7 in January, from 56.4 in December 2024.

Core sector output back to growth: India's core sector output moderated to 4% in December 2024, as against 5.1% growth registered a year ago. The growth of core sectors was 4.2% during April-December this fiscal while it was 8.3 % in the same period in 2023-24.

IIP: Industrial production in Nov’24 further accelerated to 5.2% up from 3.5% in Oct’24. Manufacturing sector led the growth on the production side while strong pick up in consumer durables due to base effect supported output on the consumption side.

Consumer price Inflation (CPI):

CCPI in Dec’24 eased to 5.2%, down from 5.5% the month prior. Average inflation for the quarter was 5.6%, in line with the RBI’s 5.7% projection at its last Monetary Policy Committee (MPC) meeting.

RBI Policy: In DEC Policy no change in Repo rate was done, while RBI reduced the Cash reserve ratio (CRR) rate from 4.5% to 4%. After a weak Q2, FY25 GDP forecasts were slashed from 7.2% to 6.6%. On inflation, the RBI raised its full year projection from 4.5% to 4.8%. It highlighted food inflation should cool down in Q4, contingent upon the kharif output flooding markets and robust rabi sowings. The next policy meeting is scheduled for 5-7th Feb ’25.

Fund Flow: FII flows were negative in the month of January 2025 at Rs.87374 crores, DII flows remained healthy with inflows of Rs.86,591 crores during the month.

Budget Update:

Budget has a strategic vision, focused on achieving the 'Viksit Bharat' goal by 2047. It aims to foster inclusive growth through a clear framework for reform and statelevel development, steering away from populist measures. Rather than front load capex from the centre, some capex participation has been shifted in the hands of state government under PPP model. The real capex which includes grants to states and IEBR rises to Rs.19 trillion in FY26 compared to Rs.17

trillion in FY25 reflecting a growth of 17% y-o-y. In essence, it marks a shift toward long-term structural growth, striking a balance between fiscal discipline and economic expansion, while paving the way to sustainable private-sector involvement.

Consumption boost through reduction in personal income taxes. The simplification in taxation and reduction of personal income tax rates will increase disposable income and is expected to stimulate household consumption, particularly in the discretionary spending segments and savings and investments of the middle and upper-middle-income groups.

Budget has not given any negative surprises, however along with capex driven sectors, focus is given on consumption, particularly discretionary to benefit like consumer durables, two-wheelers and entrylevel cars, retail and tourism & hospitals etc.

Equity Market Outlook:

Q3FY25 Results season have started on expected lines with in line results from large banks, few IT companies, Real estate sector and chemical sector. Results from metals and commodities sector has been soft. Recovery is expected from Q4FY25 onwards from corporate earnings with pick up in government spending and revival of consumer demand in rural.

The correction and consolidation period is coming to an end, and once Q3FY25 earnings gets over, most likely worst would have been factored in by the market. Overall macro picture is still strong with core inflation and interest rates under control, deficit under control, strong tax collections and stable government. Valuations post correction is now reasonable with Nifty trading at two year forward 17.5x PE multiple. With worst behind us and attractive valuations, Investors can now start for additional investments aggressively for long term.

Regards,
Mayur Shah
(Fund Manager-Anand Rathi Advisors Ltd.)

Disclaimer: Anand Rathi Advisors Ltd. (ARAL) ("Portfolio Manager") SEBI Reg No. INP000000282 which is regulated under SEBI. This report has been issued by ARAL. Investments in securities are subject to market and other risks and there is no assurance or guarantee that the investment objectives of any of the investment approaches or portfolios offered by the Portfolio Manager (each, a "Portfolio") will be achieved. Portfolio performance may be affected by a wide variety of factors, including, without limitation, security-specific price shifts, changes in general market conditions and/or other micro and macro factors. A Portfolio performance results at any particular time will also be impacted by its investment objectives and the investment strategy it uses to achieve those objectives, including without limitation, its then-current asset allocation position. As the price/value of the underlying assets of a Portfolio fluctuates, the value of investors investments in that Portfolio and any income derived from it may go up or down. Individual returns of an investor for a particular Portfolio may also vary because of factors such as timings of entry and exit timings of additional flows and redemptions, individual investor mandate, specific Portfolio construction characteristics and/or structural parameters. Please refer to the Disclosure Document and Portfolio Management Services Agreement for Portfolio-specific, risk factors. Note that the composition of a Portfolio and the index(es) used to benchmark its performance are subject to change from time to time, as may be more fully described in the Disclosure Document. Note also that the composite benchmarks used for the Portfolios may be proprietary to the Portfolio Manager.

ARAL and its affiliates may trade for their own accounts as market maker / jobber and/or arbitrageur in any securities of this issuer(s) or in related investments, and may be on the opposite side of public orders. ARAL, its affiliates, directors, officers, and employees may have a long or short position in any securities of this issuer(s) or in related investments. ARAL or its affiliates may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. This is prepared for only private circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report.

Past performance of a Portfolio does not indicate its future performance. The Portfolio Manager does not guarantee that any Portfolio will generate positive returns or that it will meet the needs/investment objectives of any particular person. The names of the Portfolios do not in any manner indicate their prospects or likelihood of returns. Before making an investment decision, please(1) carefully review the Disclosure Document, Portfolio Management Services Agreement, and other related documents, including issue documents pertaining to the underlying investments of the relevant Portfolio(s), and (2)consult your legal, tax and financial advisors to determine possible legal, tax and financial or any other consequences of investing in any of the Portfolios.

Investors are also advised to refer to the risk factors associated with Portfolio Management Services and read the Disclosure Document carefully and consult their Financial Advisor before taking decisions of investment.

For detailed risk factor, please refer to Disclosure Document before investing.