July 2025

FUND MANAGERS COMMUNICATION

Global Market:

During the month of June 2025: S&P 500 was up by 4.5%, Nikkie up by 7% and Nifty 50 up by 3.5%. During the quarter Tariff policy uncertainty and war in the Middle East has created uncertainty in investors mind. In both cases, in the absence of a meaningful weakening in the hard data, most major asset classes delivered positive returns over the quarter. While US stocks and bonds recovered from April's volatility, the US dollar saw continued weakness, with the DXY dollar index ending the quarter down 7.1%. Crude oil has settled lower after an initial spike on middle east war news flow.

IMF World Economic outlook: The International Monetary Fund has given GDP prediction for 2025 - world GDP growth at 2.8%, with US at 1.8%, China at 4% and India at 6.2%. The outlook for India is relatively stable supported by private consumption.

Domestic Market:

GST Collection: GST receipts in June month hit Rs. 1,84,597 crore, marking a 6.2% year on year growth.

RBI Policy June 2025: The RBI surprised markets by frontloading its easing cycle with a sharper-than-expected 50 bps cut in the repo rate and a 100-bps reduction in the CRR. This decisive move makes the central bank's clear focus on supporting growth amid a benign inflation environment. Overall, these measures are likely to spur consumption and kickstart the private capex cycle.

CRR rates cut by 100 bps: This move comes as RBI continues to ensure ample surplus liquidity remains in the system to ensure smooth transmission of rate cuts to lending rates. This will infuse Rs. 2.5 trn of primary liquidity in the system starting 06 Sep'25.

GDP growth retained, inflation revised downwards. The RBI maintained its GDP growth projection at 6.5% for FY26 sighting favourable weather and continued momentum in services activity. At the same time, it reduced inflation forecast for FY26 by 30bps to 3.7%. Favourable weather condition is expected to support agricultural output while core inflation will continue to remain benign with falling commodity prices.

Auto numbers: In June'25, Auto numbers were broadly in line with expectations. In 2 wheelers Eicher and TVS motors posted double digit growth. In passenger vehicles sales number were muted, M&M has outperformed. Commercial vehicle sales have been weak. Tractor sales haven been healthy. Ahead, positive rural markets, festival/wedding season, rabi output cashflows, lower interest rates and higher disposable income, thanks to tax cuts, would keep the momentum healthy for Auto sales.

PMI: The HSBC India Manufacturing Purchasing Managers' Index (PMI), compiled by S&P Global rose to 58.4 in June a 14 month high. (Manufacturing PMI data is an economic indicator that measures the activity level in the manufacturing sector. It is based on a survey of purchasing managers across manufacturing industries and provides insights into business conditions, including production, new orders, employment, supplier delivery times, and inventory levels).

CPI: CPI inflation eased to more than six year low in May'25. Food inflation stood at its lowest since Oct'21. However, core inflation remained at elevated levels. The inflation numbers are in line with RBI estimates as it had reduced its quarterly forecast to 2.9% well below its target of 4% leading to a cut in the repo rate by 50 bps in the latest MPC meeting.

IIP: India's Index of Industrial Production (IIP) growth at 1.2% moderated further in May'25, partially due to a high base and excess rains in the later part of May.

Funds Flow: FII flows were positive in the month of June 2025 at Rs.20423 crores, DII flows remained healthy with positive inflows of Rs.42922 crores during the month.

Equity Market Outlook:

In the last few months Uncertainty related to Tariff war, Geopolitical risk & some economic slowdown have persisted and raised investor concerns, however lately the events have started settling down and Equity markets have started focusing on the economic and industry data points & growth recovery in the economy and corporate earnings outlook in the coming quarters.

Earnings season will be starting from mid July and there is an expectation of improvement in corporate earnings from Q1FY26 onwards led by pick up in government capex, real estate and construction activity picking up & improvement in consumer demand.

Over all macro set up in India is quite comfortable with Brent Crude oil is now trading closer to $65-70/bbl, healthy GDP growth, lower inflation, expected benefit of lower interest rates in coming quarters, liquidity easing by RBI, revival of government capex, improved consumer discretionary demand led by tax deduction benefits and expected improvement in rural demand & early monsoon, benefits emerging from Global supply chain diversification would be positive factors. Recovery in profitability of corporate India is expected from Q1FY26 and pick up in coming quarters. We remain constructive on India economy and Indian equities 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.