

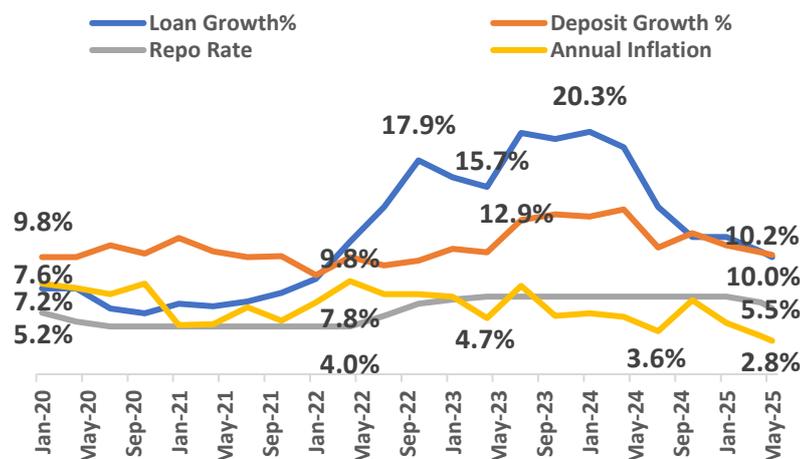
India an Oasis in an Uncertain Global Environment

Stable Macros, Structural positives, Domestic Focused, Low trade exposure, Robust Capital market Architecture and Regulatory Environment-

The advent of Donald Trump has put a spanner in the works of most economies globally, with a fear of falling economic growth due to the trade wars, coupled with persistent high deficits and debt levels which is making inflation sticky and interest rates rather high. Equity markets across the world corrected substantially from September 2024, broadly reflecting these concerns. But amidst this chaos India seems like an Oasis in the desert. The 4QFY25 GDP growth is over 7.5%, inflation is at a 75 month low, and fiscal deficit has reduced significantly from pandemic levels and is already normalised and trending lower. These excellent macros has lead to -

- **Dovish Monetary Policy:** RBI began its rate cutting cycle since February, 2025 and has so far reduced the repo rates by a cumulative 1%. The recent one being 50bps. Apart from the rates RBI has unleashed several liquidity boosting mechanisms over the past few weeks releasing more than INR4trn (approx. 50bnUSD) of liquidity into the system, with an aim to propel growth.
- Dramatic recovery in the stock markets from April lows, India is the best performing major equity market. This has been possible by the continuing resilience of domestic flows and a welcome return of the FPI flows, especially in April 2025. (Rs. 4223 Crore)

With growth returning in the 4QFY25, improving liquidity conditions courtesy the RBI policy and with government spending also picking up post the election blues in FY25, relatively low exposure to international trade (on the contrary India will improve its trade competency) we believe, India is in a sweet spot for the medium to long term. As other nations grapple with persistent challenges, India is charting a distinctive course toward sustained growth. Stay invested, add to your equity allocation as we feel that there could be substantial gains to be made now.



Reason for the Resilience

Structural Positives

India's economic resilience strategy centres on leveraging its vast domestic market as the primary engine of growth, reducing dependence on volatile global trade dynamics. The country's demographic dividend—with over 1.4 billion people and a median age of 28 provides a robust foundation for domestic consumption.

China + Opportunity

China Manufacturing contributes 27% to GDP. Apple directly and indirectly supports > 2 lakhs job in China. Out of that 15% they have shifted to India (due to low labour cost, strong policy support and China+1 strategic shift) Apple's full exit would be marginal at a macro level, but significant in the electronics exports segment.

As global manufacturers diversify away from China-centric supply chains, India is positioning itself not just as an alternative manufacturing hub, but as a self-sustaining economic powerhouse driven by internal demand.

Domestic Consumption

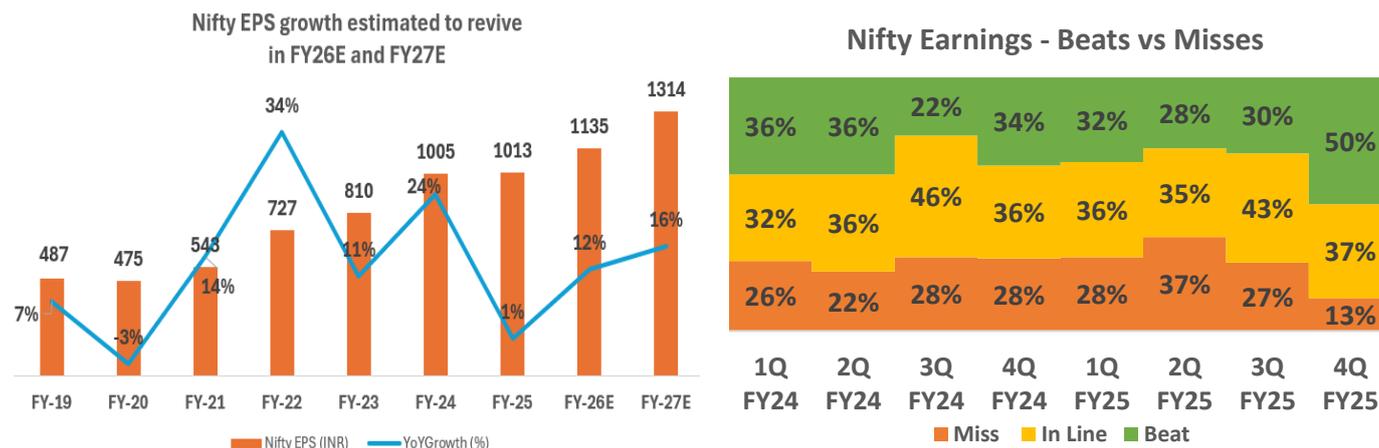
India's economy grew by 7.4% in the fourth quarter of fiscal year 2024-25, exceeding expectations by almost 20 basis points. We believe that this was due to the Kumbh effect, and its multiplier effects are still yet to

come(https://drive.google.com/file/d/1S0L7I9HpRpyVwzatLijLm3ZrZaTxQrvY/view?usp=drive_link). Adding fuel to this impressive number is the latest retail inflation rate of 2.8% for May (FY24-25 4.6%). This represents the lowest inflation rate in nearly six years, providing the Reserve Bank of India (RBI) with significant policy space to support growth.

Earnings recovery-post a cyclical trough

If we look at valuation front, Nifty is reasonably valued at a PEx 22. Earnings growth for Nifty is showing a revival, with an increasing number of companies in line or beating the estimates. RBI's recent liquidity infusion and rate cuts are expected to support credit growth, currently at ~10%. Lower interest rates should improve private sector sentiment toward capex, aided by potential demand recovery and the implementation of the 8th Pay Commission.

Base effect from the previous year will also support YoY earnings growth. Early signs of recovery are visible in jewellery, metals, and consumer durables, adding to market stability and confidence.



Outlook

India is set to remain the fastest-growing major economy in 2025-26, with strong GDP growth, easing inflation, rising demand, and stable investments. This performance comes as other major economies face slowing growth, persistent inflation challenges, or both. Thus, we re-iterate that India is in the beginning of replicating Japan's story that played out between 1970-80. (<https://dascap.com/wp-content/uploads/2025/01/Jan-2025.pdf>)

The country's focus on domestic market development, combined with selective integration into global value chains where it has competitive advantages (particularly in services and specific manufacturing sectors), creates a balanced approach to economic growth. Although in the near term there are certain risk factors like uncertainty in tariff, escalating tensions in middle east that can impact oil prices and lower than expected corporate earnings growth that can impact market returns in the medium term.

With all these shifts unfolding, it seems like the foundation for India's rise to become the world's third-largest economy by 2030 is being built today through policies that prioritize domestic strength, demographic advantages, and economic flexibility—a strategy that transforms global uncertainty from a challenge into an opportunity for accelerated growth. **“The world may tremble under its own doubts, but India writes its future in bold - an enduring saga of transformation and hope”.**

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