

4-Jun-2025

Dear Investors,

Our PMS and AIF performance as of last month is as follows (Exhibit 1).

Exhibit 1: TWRR Performance (after all fees and expenses) as of 31-May-2025

Investment Approach (Benchmark)	Inception Date	AUM (INR cr)	1M	3M	6M	1Y	Since Inception (Annualized)*
PMS Large Midcap	11-Apr-23	88	3.9%	14.5%	4.1%	17.0%	23.6%
(S&P BSE 500 TRI)			3.5%	14.7%	0.6%	8.5%	23.2%
(Nifty 50 TRI)			1.9%	12.1%	3.1%	11.1%	18.6%
PMS Small MidCap	11-Dec-23	154	16.5%	30.4%	-4.3%	37.1%	29.0%
(S&P BSE 500 TRI)			3.5%	14.7%	0.6%	8.5%	15.0%
(Nifty 50 TRI)			1.9%	12.1%	3.1%	11.1%	13.2%
AIF Alpha Fund I**	24- Mar-25	25	10.5%	NA	NA	NA	12.5%
(S&P BSE 500 TRI)			3.5%	NA	NA	NA	7.1%
(Nifty 50 TRI)			1.9%	NA	NA	NA	6.2%
PMS Other AUM		175					
Total AUM		442					

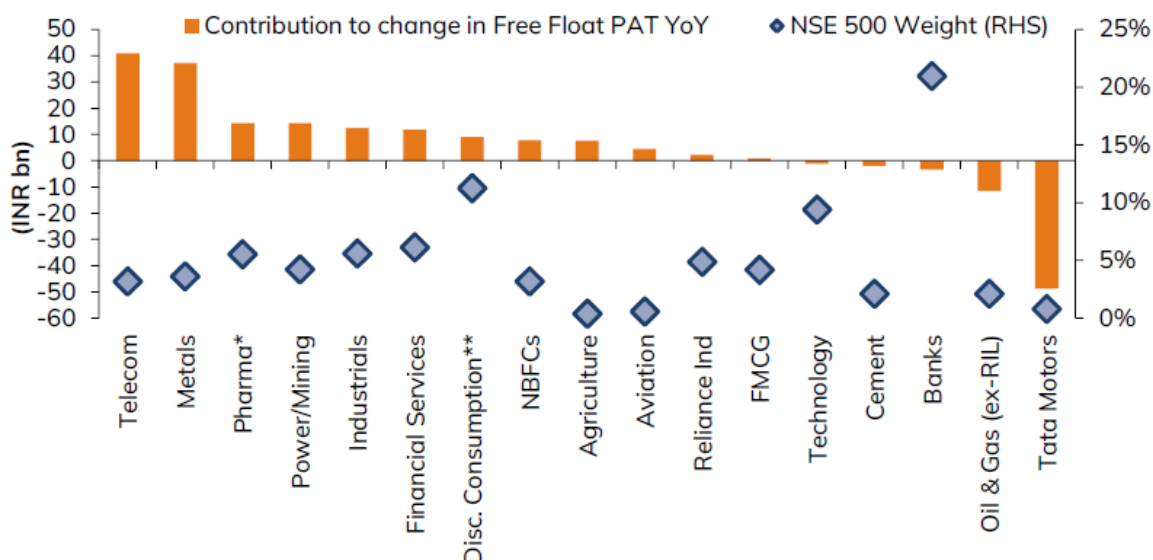
*Returns for Large Midcap and Small Midcap are annualized as they have completed full year. However, returns for Blend and Alpha Fund I are not annualized as it is yet to complete one full year.

** Returns for AIF Alpha Fund I are pre-tax but post all fees and expenses.

Q4 FY25 Earnings so far...

- For the earnings declared so far in the NSE 500 universe, operating profit has grown by ~13%, led by cyclical and capital-intensive sectors (Exhibit 2). Cyclical have significantly outpaced defensives in terms of profit growth (Exhibit 3).
- PAT growth has been muted, particularly in the small-cap segment, dragged down by select commodity and financial names (Exhibit 4).
- We expect volatility and weak economic sentiment to persist over the coming quarters (Exhibit 5). Our preferred strategy remains a bottom-up approach, with increased allocation to companies benefiting from structural changes and new business opportunities.
- The RBI's record surplus transfer of ~INR 2.69 trillion is expected to support government capex, boosting liquidity in the banking system (Exhibit 6). Interesting to note that RBI is adding gold due to rising volatility especially in foreign asset (Exhibit 7).
- Rising geopolitical tensions, including the US scrutiny on Chinese students and tariff uncertainty, suggest continued US-China trade friction. India is relatively well placed to take advantage of it.

- The China+1 strategy remains relevant in select sectors, and we reiterate our preference for domestic demand-led themes and niche opportunities that are well-positioned to benefit in the current macro environment.

Exhibit 2: Cyclical and Capital-intensive stocks drive bulk of the PAT growth in Q4 FY25


Source: Bloomberg, Capitaline, I-Sec research

Note: *Pharma includes healthcare services companies. ** Discretionary consumption includes Autos, Paints or discretionary.

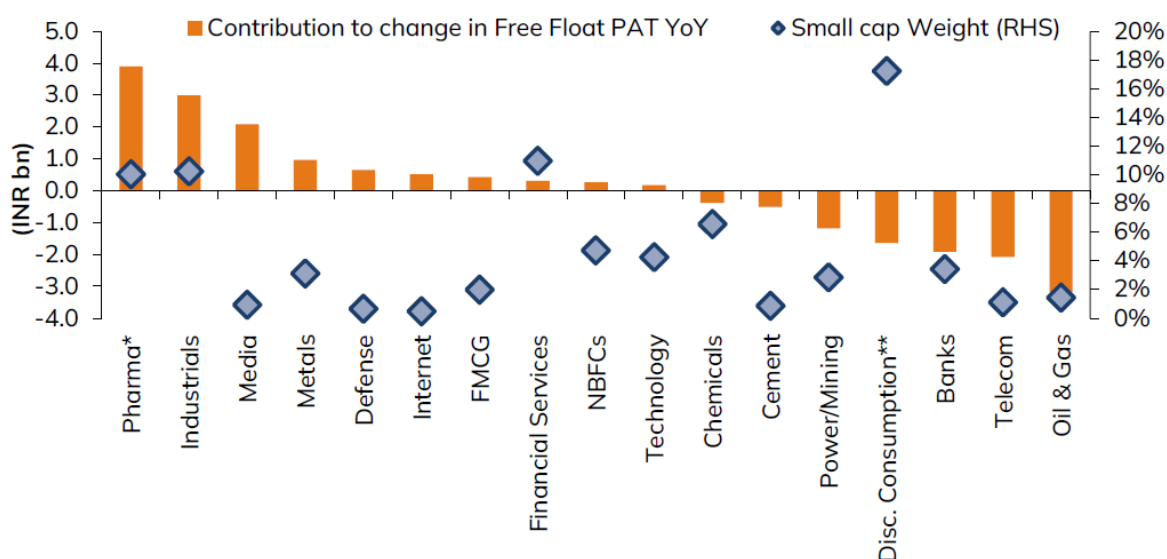
Exhibit 3: NSE 500 Results so far

Free float (INR bn)	No*	Sales (ex-financials)			EBITDA (ex-financials)			PAT (ex-financials)			PAT (Incl-financials)		
		Q4FY25	YoY	QoQ	Q4FY25	YoY	QoQ	Q4Y25	YoY	QoQ	Q4FY25	YoY	QoQ
Nifty	48	6,459	8%	-1%	1,276	11%	8%	700	4%	10%	1,200	1%	6%
Nifty Next 50	48	2,089	4%	4%	305	13%	20%	157	16%	3%	271	18%	7%
Nifty Midcap 100	89	1,736	8%	6%	257	18%	4%	148	28%	6%	232	26%	5%
NSE200	185	10,284	7%	1%	1,838	13%	9%	1,005	8%	8%	1,703	6%	6%
Nifty Smallcap 100	86	764	11%	6%	82	14%	4%	41	5%	13%	62	1%	8%
N500	445	12,055	8%	2%	2,053	13%	9%	1,121	8%	9%	1,872	6%	7%
N500 (cyclicals)	353	10,085	7.4%	1.7%	1,644	13.5%	11.9%	NA	NA	NA	1,569	6%	7.5%
N500 (defensive)	92	1,970	9.8%	1.1%	408	9.6%	-0.2%	NA	NA	NA	303	4%	3.3%
Large Cap	96	8,552	7%	0%	1,593	12%	9%	868	6%	8%	1,481	6%	8%
Mid Cap	133	2,045	9%	6%	289	19%	10%	166	26%	11%	261	6%	-2%
Small Cap	216	1,457	8%	5%	171	10%	13%	88	0%	18%	129	-1%	14%

Source: Bloomberg, Capitaline, I-Sec research

Note: No* represents number of results considered within respective indices. Large-cap – top-100 companies, mid-caps – next-150 companies (101-250th rank) and small cap companies – next-250 companies (251 to 500th rank),

Exhibit 4: Small Cap PAT growth dragged down by commodities and financials



Source: Bloomberg, Capitaline, I-Sec research

Note: *Pharma includes healthcare services companies. ** Discretionary consumption includes Autos, Paints and other discretionary.

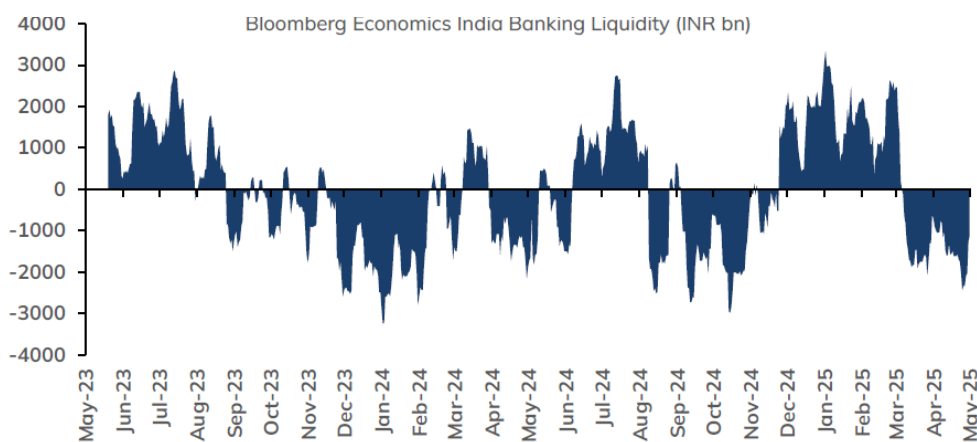
Exhibit 5: Earnings downgrade at ~2% so far during earnings season

Free float PAT (INR bn)	No*	As of 27/5/25		As of 31/3/25		Upgrade/downgrade (%)	
		FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Nifty	48	5,152	5,949	5,293	6,077	-2.7%	-2.1%
Nifty Next 50	47	1,033	1,175	1,045	1,178	-1.1%	-0.2%
Nifty Midcap 100	84	954	1,148	977	1,161	-2.3%	-1.1%
NSE200	179	7,140	8,272	7,314	8,415	-2.4%	-1.7%
Nifty Smallcap 100	80	333	407	350	420	-4.9%	-3.1%
Overall	259	7,473	8,679	7,665	8,835	-2.5%	-1.8%

Source: Bloomberg, I-Sec research

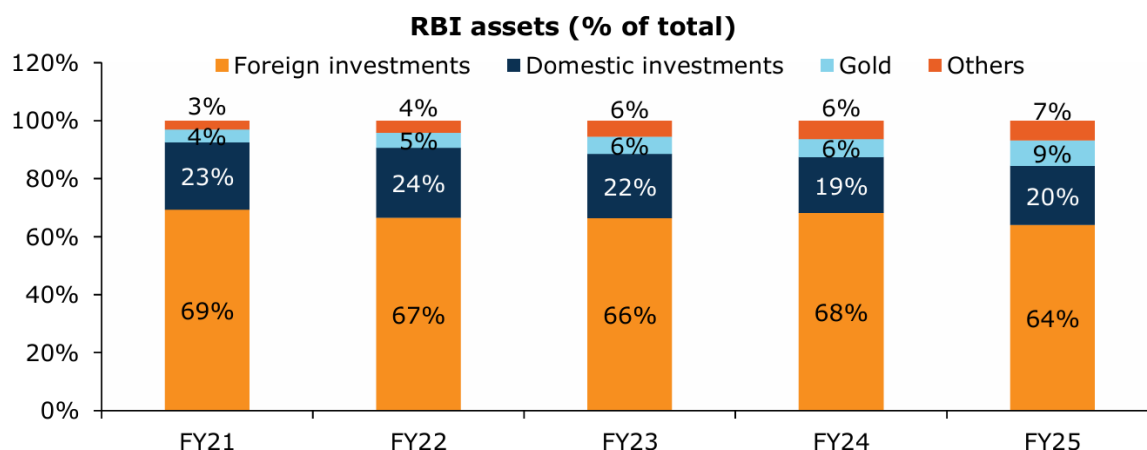
Note: No* represents consensus estimates available for results declared so far.

Exhibit 6: Liquidity has improved sharply in the last two months



Source: Company data, I-Sec research, Bloomberg

Exhibit 7: Share of foreign investments drops, while that of gold rises

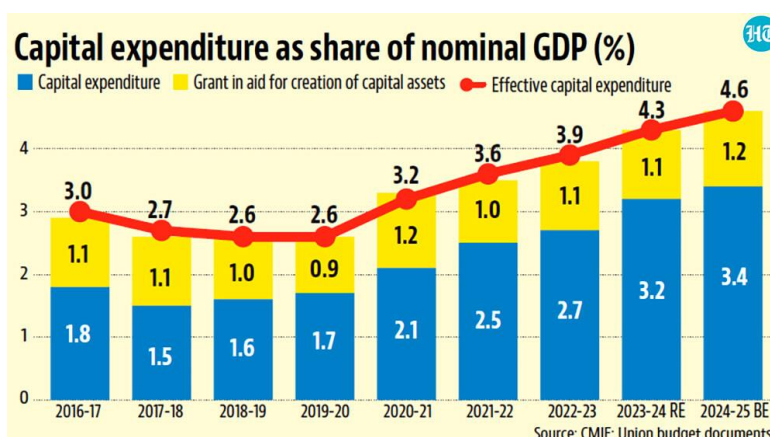


Source: RBI, Emkay Research

Is slowing Private Capex a real risk to India's growth momentum?

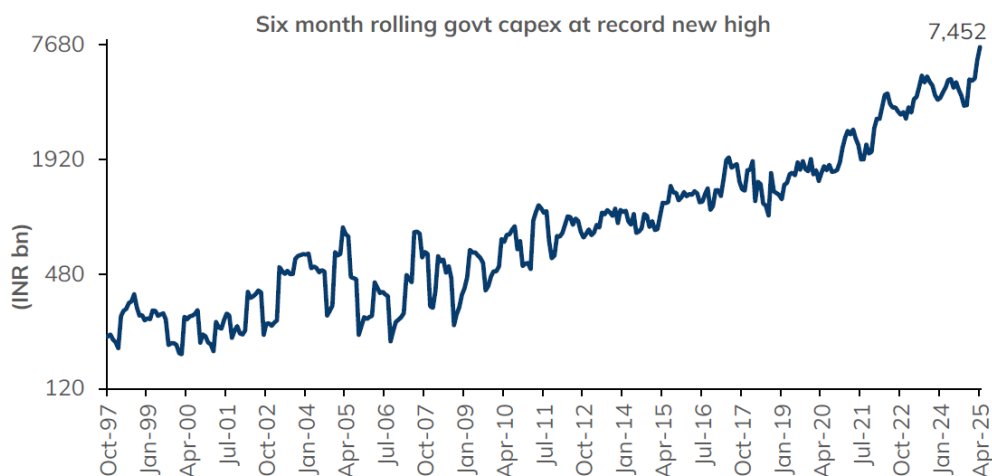
- Despite rising government capital expenditure (Exhibit 8), there have been concerns about a potential slowdown in private capex.
- It's important to recognize that India, as a developing economy, relies heavily on public investment to drive growth. Exhibit 8 clearly shows an increasing trend in capex as a percentage of nominal GDP.
- Therefore, we do not view the moderation in consumption as a red flag. Instead, we focus on the long-term value creation driven by government capex. As household incomes rise over time, consumption is likely to grow exponentially due to income elasticity of demand.
- Due to FY25 being an election year, govt capex turned out to be back ended and while FY26 being a non-election year, capex has been front ended so far. A combination of those two has resulted in the highest ever govt capex over six months (Exhibit 9).
- As highlighted in Q4 earnings, capital intensive and EPC companies have reported relatively stronger earnings growth compared to FMCG players, reinforcing our view that investment-led growth remains the dominant narrative at this stage of the economic cycle.

Exhibit 8: Capex as a % of nominal GDP



Source: CMIE, Graphics by Hindustan Times

Exhibit 9: Rolling 6-month govt capex surges to all time high of INR 7.5 trn

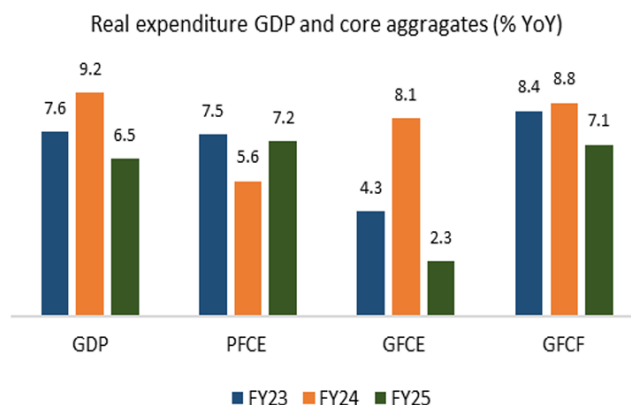


Source: CEIC, I-Sec research

Indian Economy Outlook and Conclusion

- Q4 FY25 GDP growth was at 7.4% and FY25 real GDP growth was at 6.5%, largely led by capital formation (Exhibit 10).
- IMD has predicted above normal monsoon at 106% LPA. It would be positive for rural economy and sectors like auto (tractor & 2W), FMCG and agrochemicals.
- With CPI inflation decelerated to 3.2% in April, the case strengthens for a deeper rate cut which will drive growth and liquidity in the banking system.
- India's fiscal health is in a comfortable zone with GFD (Gross fiscal deficit) /GDP in FY25 at 4.8%. We expect Central Government's fiscal position to remain comfortable in FY26 on the account of RBI's surplus transfer and weak crude oil prices.
- With better domestic economic outlook, we reiterate our investment focus on domestic driven companies, following a bottom-up approach at reasonable valuations.

Exhibit 10: GDP growth in FY25 largely led by rise in Capital formation



Source: Systematix

Overall, economy and markets have picked up and we see reasonable upside in all our portfolio holdings and continue to advise investors to add to existing investments in a calibrated manner.

We will be happy to have a quick call with you to discuss your portfolio. Also, we really appreciate the references you have shared thus far and would request you to continue to remain generous in sharing more references.

Warm regards,
MoneyGrow Team

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