

India Investment Strategy

February 2025

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Summary

External Influences



US

- **Current Economic Conditions are in Balance, as such a Soft Landing Continues to Remain the Base Case Scenario**
 - High credit dependency appears to begin weighing on consumption.
 - Payroll gains fully recovered after hurricane disrupted print.
- **What might the Fed do next?** The Fed has guided 2 quarter point rate cuts in 2025 as members indicated that risks to inflation have become 'weighted to the upside' while risks to unemployment and GDP growth remain 'broadly balanced'. Since taming inflation has now taken priority over the labor market and economic growth, stronger than expected data prints might weaken the case for rate cuts. For further details please refer to our Inflation and Rates segment.

Europe

- **We Continue to Maintain a Cautious Stance Towards Europe:**
 - The Europe Economic Surprise Index remained in negative territory due to weaker than expected economic data from core economies like Germany and France, which have heavy weights in the index.
 - Peripheries like Spain are outperforming core economies, signaling that Europe's developed and emerging markets are presently on diverging economic trajectories.

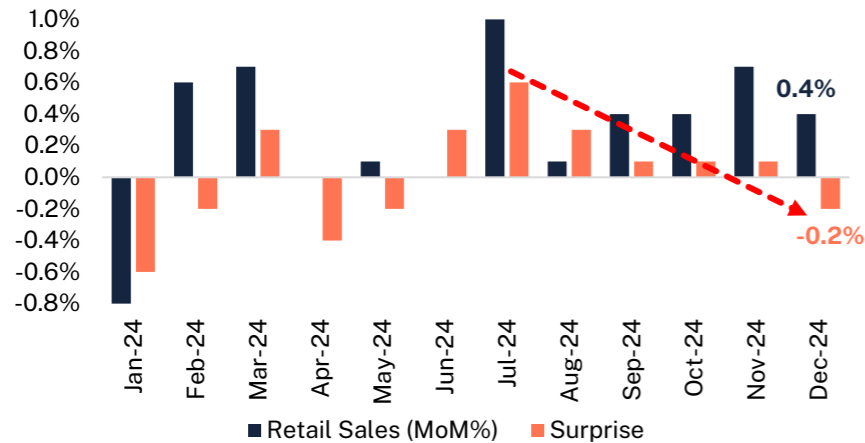
China

- **We Continue to Maintain a Neutral Stance Towards China:**
 - The monetary easing announced in Sept-Oct continued to help industrial activity and domestic consumption improve. China ended 2024 exceeding the government's forecast of 5% GDP growth. However, forecasts for 2025 and 2026 suggest that the momentum in China's GDP growth is likely to moderate around 4% levels.
 - China's trade balance with the US remained strong as American businesses continued stocking up inventories in anticipation of Trump imposing tariffs following his inauguration.
 - Trump has stated that he will be placing a 10% tariff on China soon which could lead to significant weakening of the Chinese Yuan as well as China's trade surplus with the US. However, since this 10% tariff is lower than the 60% figure he proposed during his election campaign we will be monitoring any changes in trade policy. As such, we maintain a neutral stance on China at the moment.. For further details please refer to our Trends and Sentiments segment.

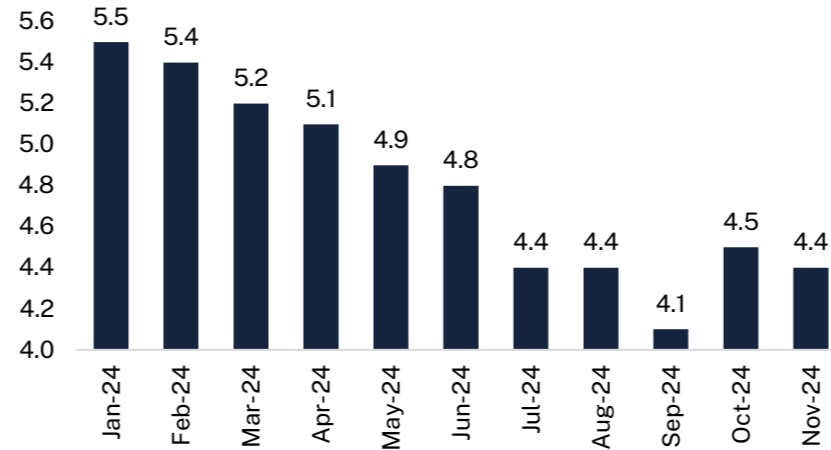
US: High Credit Dependency Appears to Begin Weighing on Consumption

Although retail sales were positive, the print was weaker than expectations as consumer savings picked up marginally and outstanding credit moderated amidst high-interest rate expectations.

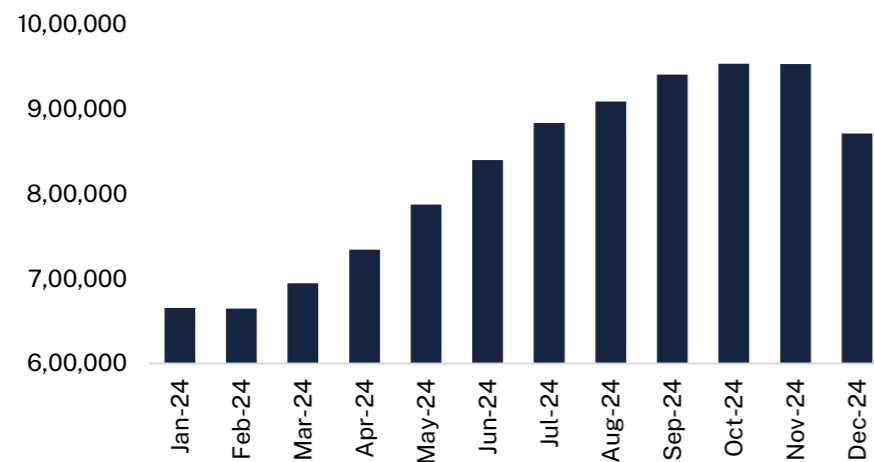
Retail Sales Picked Up 0.4% MoM in December, Missing Expectations by 0.2% MoM After 6 Months of Beats



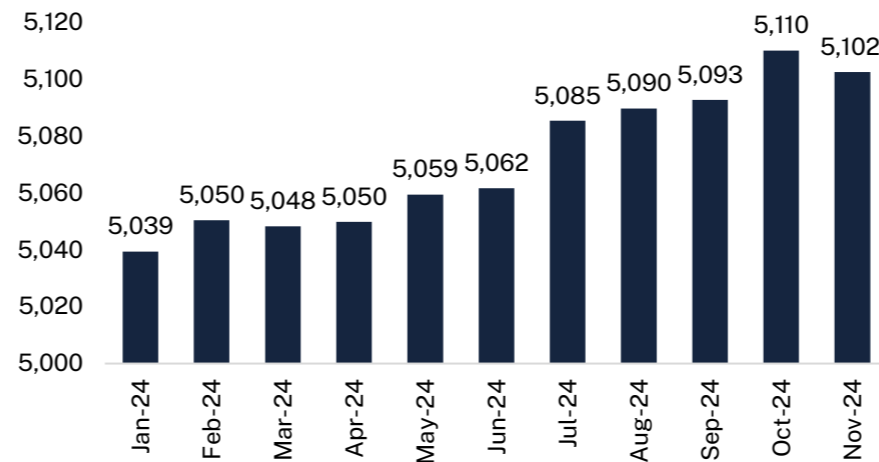
Personal Savings Rate Picked Up Marginally as Consumers Cut Back on Consumption



Home Inventories Declined, Breaking the Year Long Trend and Giving the Housing Market Temporary Relief



Total Consumer Credit (\$ Billions) Moderated In November



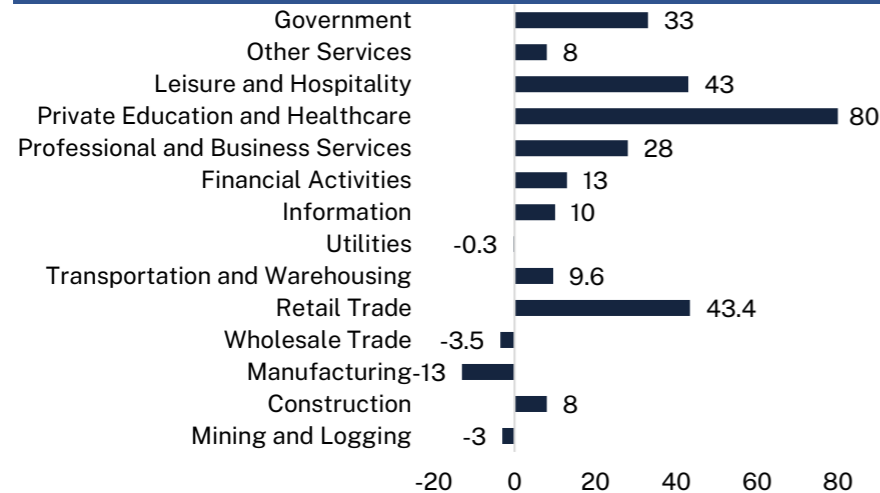
- **What have we been saying?** The US will achieve soft landing as consumption has been strong. However, given that a growing proportion of consumption is driven by credit, we believe this momentum could slow down.
- **What still holds?** Consumption continued to improve as retail sales rose, and housing inventories declined in December.
- **What's shifted?** The personal savings rate has picked up and the total value of outstanding credit borrowed by US consumers declined. These changes indicate that consumers might be beginning to decrease their reliance on credit to sustain consumption. Should this trend continue for longer, the US economy and inflation may moderate.

Source: US Bureau of Economic Analysis, US Federal Reserve Economic Database, Archives from the Financial Accounts of the United States, Bloomberg, Spark PWM

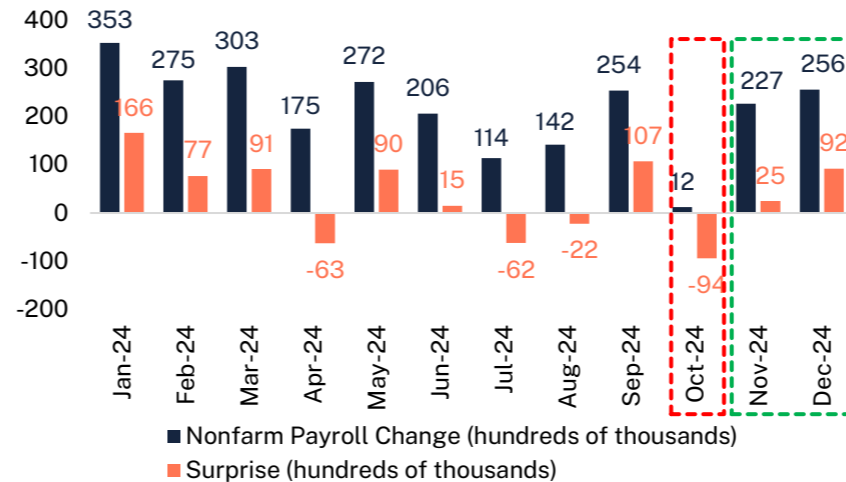
US: Payroll Gains Fully Recovered After Hurricane Disrupted Print

We highlighted that October's payroll gain of only 12k was not reflective of the labor market because the print was impacted by the occurrence of Hurricane Milton. Since payroll growth has now returned to normal and the unemployment rate has fallen, we believe this view has played out.

December Nonfarm Payroll Change Across Industries



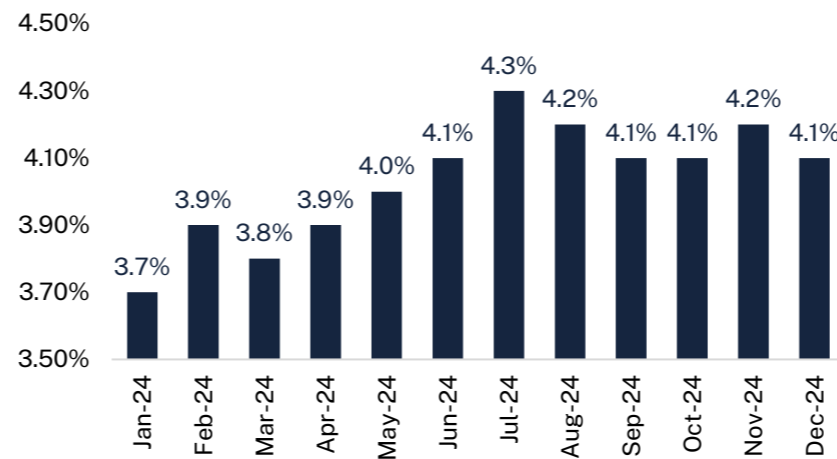
Nonfarm Payrolls Beat Expectations by 92k in December After Missing by 94k in October due to Hurricane Milton



Past Impacts of Hurricanes on US Nonfarm Payrolls

Date	Hurricane	Storm-Impacted Payrolls Change	Prior 3M Average Payrolls Change	Payrolls Change During Recovery
August-1992	Andrew	+31000	+92000	+181000
August-2005	Katrina	+57000	+269000	+94000
October-2012	Sandy	+159000	+173000	+243000
October-2016	Matthew	+108000	+270000	+119000
August-2017	Irma	+92000	+173000	+147000
September-2018	Florence	+87000	+173000	+164000

Unemployment Rate Moderated Back to 4.1%, Indicating that the Labor Market Continues to Remain Strong



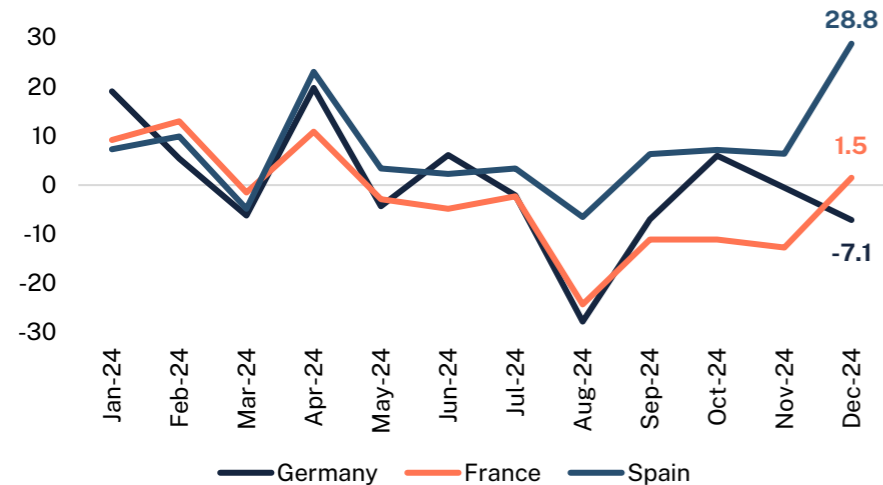
- What have we been saying?** The US labor market has shown resilience over the past few months with higher-than-expected nonfarm payroll change, fewer jobless claims and moderation in the unemployment rate. Although October's figures were very weak, we believed that this would normalize quickly as the print was impacted by the onset of a hurricane. In the past, hurricane-impacted payroll figures rebounded almost instantly.
- What still holds?** The job market remains stable as payroll growth normalized after October's figures missed expectations.
- What's shifted?** Not only did nonfarm payroll change return to its historical levels, but the unemployment rate also fell from 4.2% in November to 4.1% in December, indicating that the labor market continues to be in great shape.

Source: US Bureau of Economic Analysis, US Federal Reserve Economic Database, Bloomberg, Spark PWM

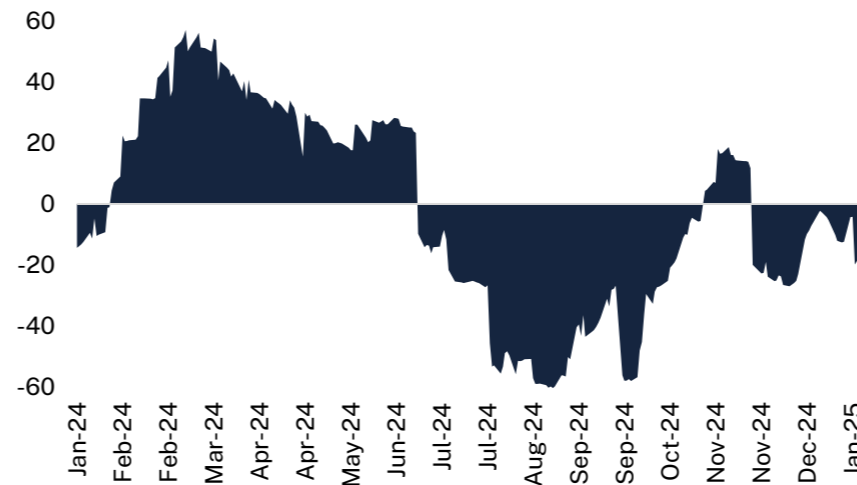
Europe: Core & Periphery Economies Continue to Diverge

Recent data, as per the economic surprise index, has been mostly underwhelming in December and January. This is primarily due to the heavy weight that core economies like Germany and France have in such indices. However, peripheries like Spain are presently exhibiting strength.

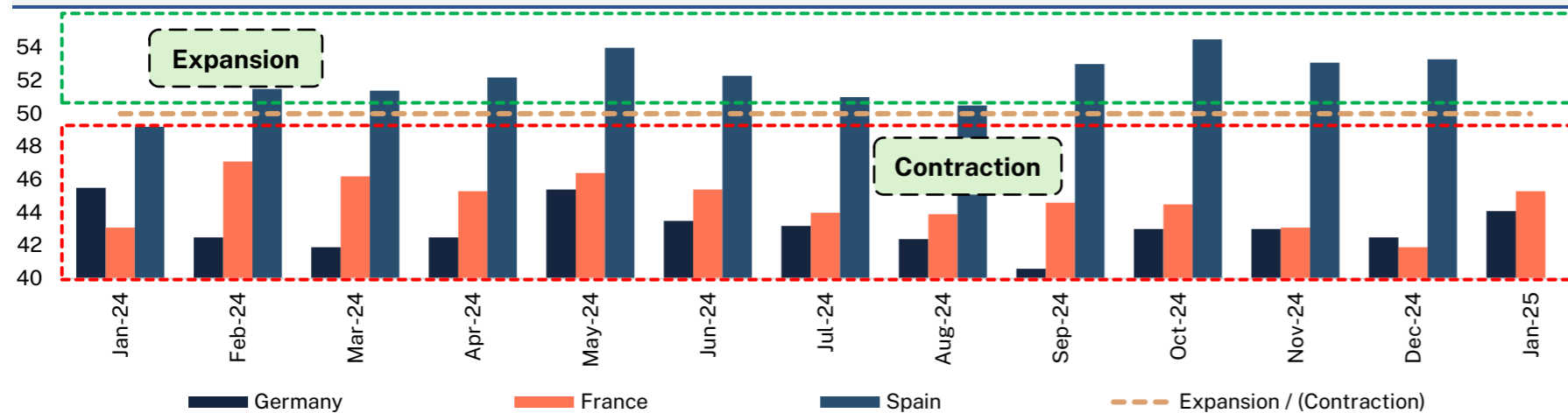
New Car Registrations (YoY%) are Weak in Germany and France, But Have Been Very Strong in Spain



Europe Economic Surprise Index Remained in Negative Territory due to Weaker than Expected Data



Spain's Manufacturing PMI Remains in Expansionary Zone While Germany & France Remained in Contraction Area



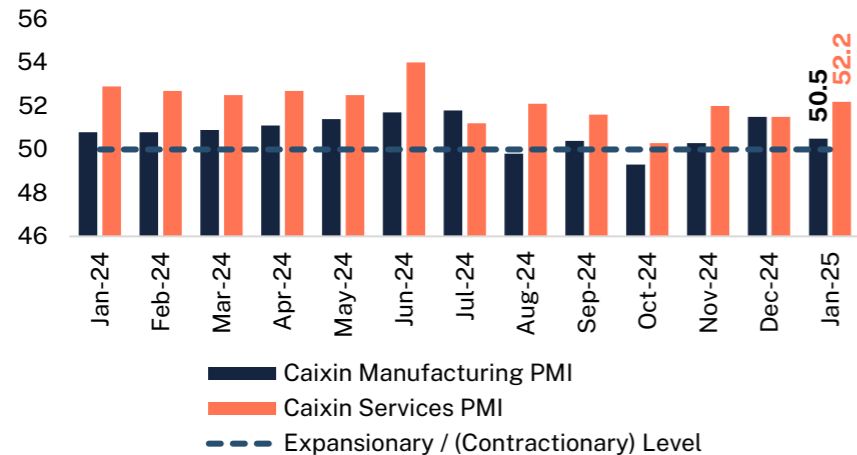
- **What have we been saying?** PMI and other economic data releases have been showing signs of weaknesses in the core economies. However, periphery economies such as Spain are exhibiting strength, and are likely preventing the continent from entering a recession.
- **What still holds?** Core economies like Germany continue to exhibit weakness and are largely the reason behind why economic activity in Europe has been damp.
- **What's shifted?** New car registration growth in France marginally flipped into positive territory in December after contracting on a YoY basis for 6 months.

Source: Eurostat, Bloomberg, Spark PWM

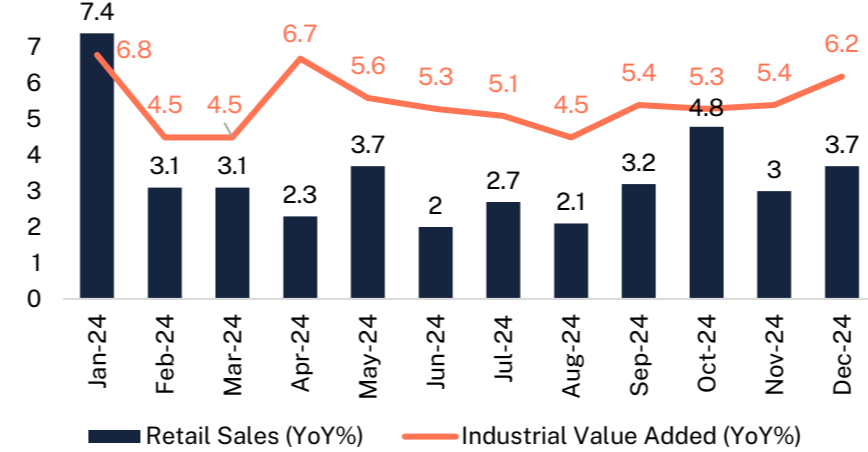
China: Economic Indicators Show Improvement, But GDP Outlook Suggests Softening

Industrial activity improved as US businesses loaded up on Chinese goods before Trump enforces tariffs. Domestic consumption strengthened as retail sales rose 3.7% YoY. The absence of mentions to tariffs on China in the near-term during Trump's inauguration provides hope for recovery.

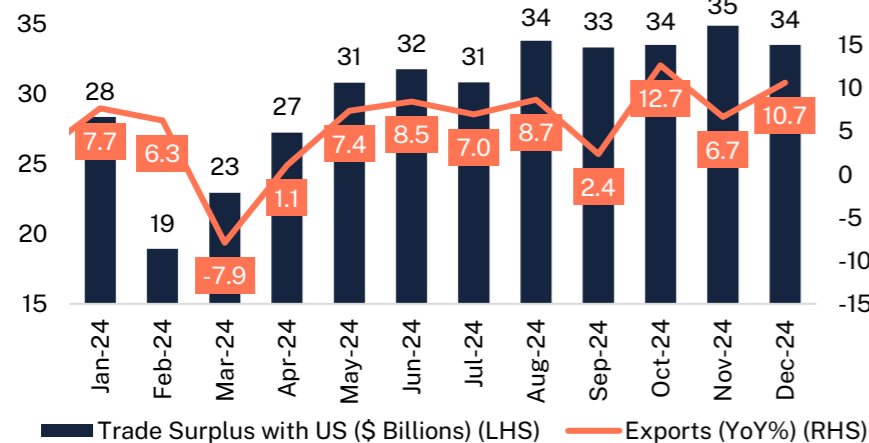
Both Manufacturing and Services PMI Remained Above the 50 Level in January



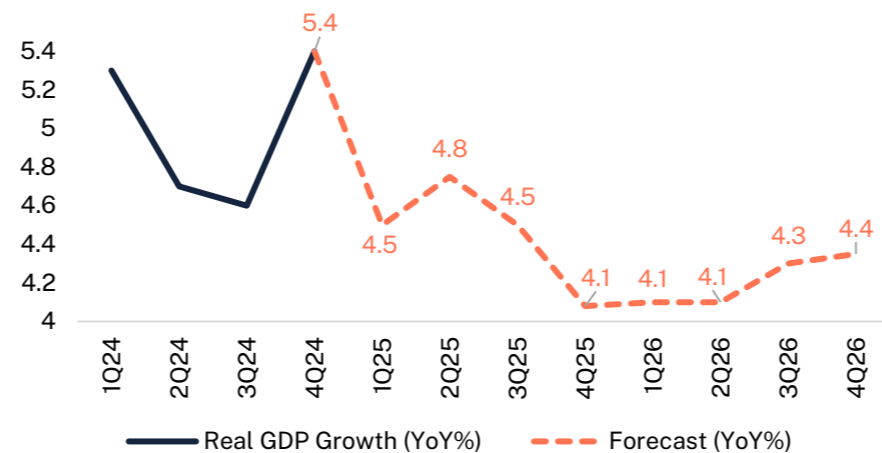
Industrial Value Added and Retail Sales Both Grew Strongly on YoY Basis, Ending the Year on a Positive Note



China's Trade Surplus (\$ Billions) with US Rose and Export Growth Continue to Remain Strong



GDP Growth Forecasts for 2025 and 2026 (YoY%) Are Positive



- What have we been saying?** The PBOC's monetary easing policies that were introduced between September-October will not be sufficient in stimulating the economy without announcements of ample fiscal expenditure in the near-term.
- What still holds?** Retail sales and industrial value added continue to remain positive. Moreover, China's trade balance with the US has also improved as American businesses attempt to stock up their inventories before Trump's tariffs make Chinese goods more expensive.
- What's shifted?** Trump has stated that he intends to impose a 10% tariff on China soon. In case tariffs are delayed or lower than expected by markets, the Chinese economy may outperform current consensus, which suggests GDP growth will moderate in 2025 and 2026.

Source: People's Bank of China, Bloomberg, Spark PWM

Summary

Local Story



Government Finances: Revenues Remain Strong But Capex Yet to Pick Up

- Revenues: Cumulative Corporate Tax receipts and Personal Income Tax Collections increased 1.24% YoY and 20.15% YoY for 8MFY25, respectively.
- Expenses: Cumulative Government Capex for 8MFY25 was >10% higher than the figure noted for 7MFY25. However, the government's revised estimates for FY25 suggest it will miss its BE by about 10%.

Economic Activity: Significant Improvement in December

- (i) Composite PMI improved to 59.2 in December from 58.6 in November, (ii) Industrial production picked up to 5.2% YoY, maintaining its recovery from the weak print seen 3 months ago, (iii) E-Way Bills generation sharply rose to 112 in December after showing a dip in November on account of the festive season coming to an end, and (iv) GST Collection grew 7.3% YoY in December, marginally improving from November's print of 7.1% YoY.

Trade Balances Gets Revised: Alleviates Some Pressure on CAD

- After reaching an all-time low of -\$37 billion in November, the government revised its estimates of import figures for FY25. Nearly, all monthly import figures were revised lower, with November's print of \$70 billion seeing the most noticeable change of \$6.1 billion. The government stated that figures were revised due to accounting errors wherein gold imports were double-counted in some cases. We emphasized that November's figure was too high and unlikely to be reflective of the Indian economy as imports excluding gold grew only 8.1% YoY in November relative to the total figure of 27% YoY. Post-revision, India's trade balance deficit has moderated to -\$21.9 billion in December, marking a significant improvement.

Liquidity Crunch in Banking System Likely to Continue if RBI Chooses Not to Lower Rates

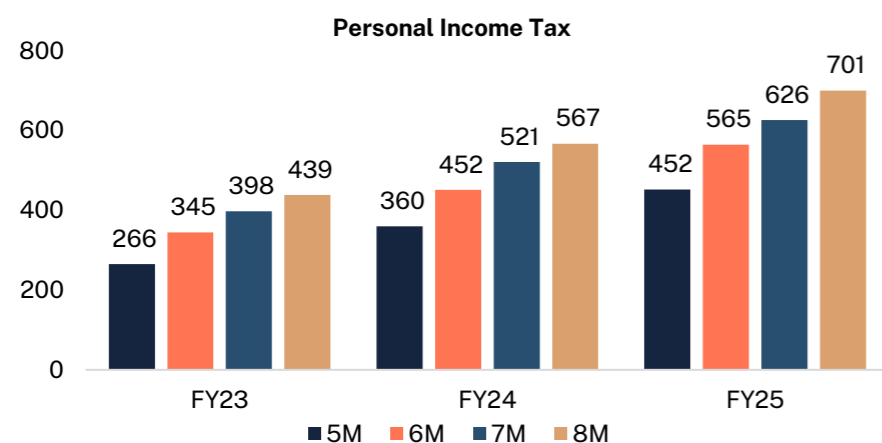
- The banking system's liquidity deficit remains high at about INR 2.01 trillion. RBI's continuous intervention in FX markets has led to its reserves depleting by 9% in the last quarter. This dynamic alongside credit growth outpacing deposit growth and M3 money supply growth moderating sharply in January 2025 is likely to keep the banking system's liquidity in deficit in the near-term.

Government Finances: Revenues Remain Strong But Capex Yet to Pick Up

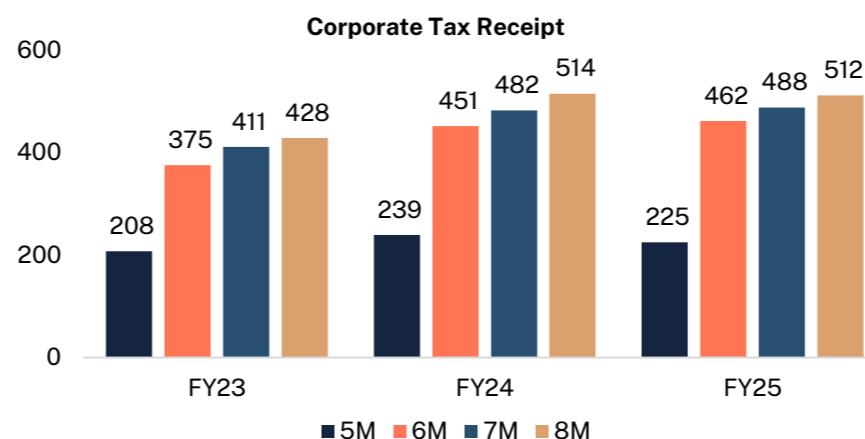
Fiscal Deficit on Lower Side, but Showing Early Signs of Improvement

Government finances (INR Bn)	Apr-Nov'24	Apr-Nov'25	Increase	Budget Estimates (FY25)	% of Budgeted Estimates
Total Expenditure	26,522	27,410	3%	48,205	57%
Revex	20,665	22,275	8%	37,094	60%
Capex	5,856	5,135	-12%	11,111	46%
Total Revenues	17,290	18,794	9%	32,072	59%
Tax Revenue	14,358	14,434	1%	25,835	56%
Non Tax Revenue	2,844	4,270	50%	5,457	78%
Others	89	90	1%	780	12%
Fiscal Deficit	9,232	8,616	-7%	16,133	53%

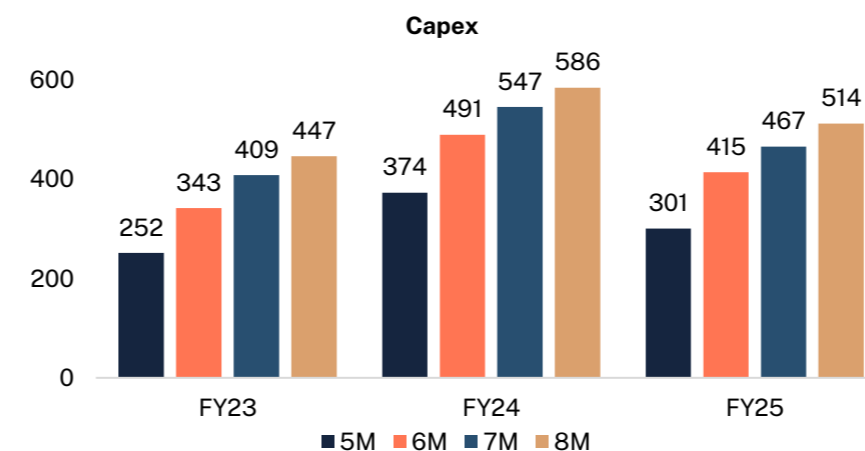
Cumulative Personal Income Tax Collection for 8MFY25 Grew 24% YoY



Cumulative Corporate Tax Receipts for 7MFY25 Decreased - 0.5% YoY



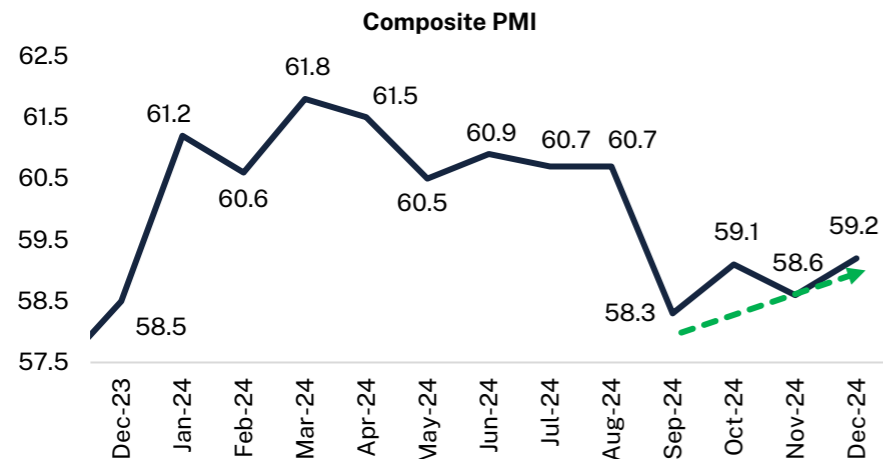
Cumulative Government Capex for 8MFY25 was >10% Higher Than the Figure Noted for 7MFY25



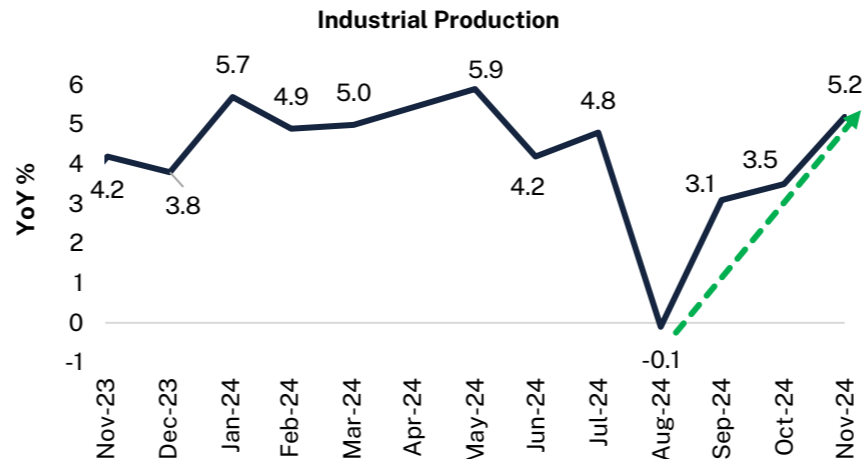
- What have we been saying?** Government spending was constrained due to elections being underway and strong revenues in 1HFY25 suggested that GOI is capable of ramping up its average monthly capex in 2HFY25.
- What still holds?** Government revenues continue to be strong as personal income and corporate tax receipts from 7MFY25 to 8MFY25 maintained their upward trajectory.
- What's shifted?** Cumulative FYTD capex for 8MFY25 is 12.3% lower on a YoY basis. Following the release of the FY26 Union Budget, the government revised its FY25 BE for CapEx lower by ~10%, implying that it will not meet its target. Moreover, the initial FY25 CapEx estimate is quite similar to the BE for FY26, implying that the CapEx pick up will likely be delayed as the government is shifting its focus to consumption growth through lower taxes.

Economic Activity: Significant Improvement in December

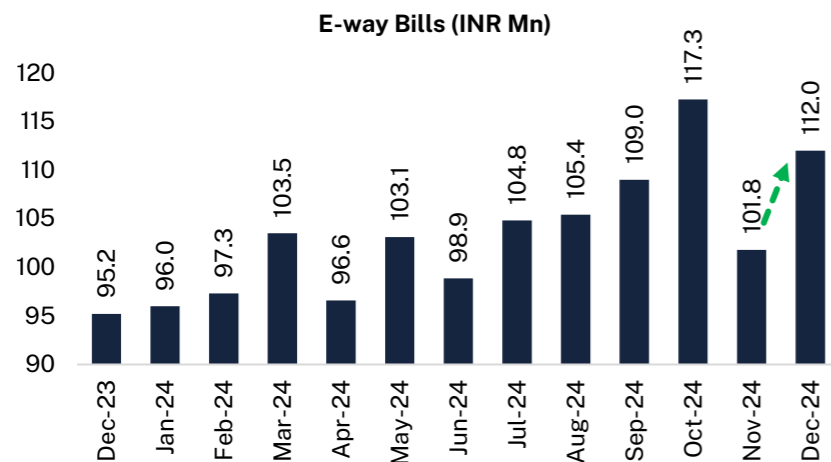
Composite PMI reached a 4-month high of 59.2



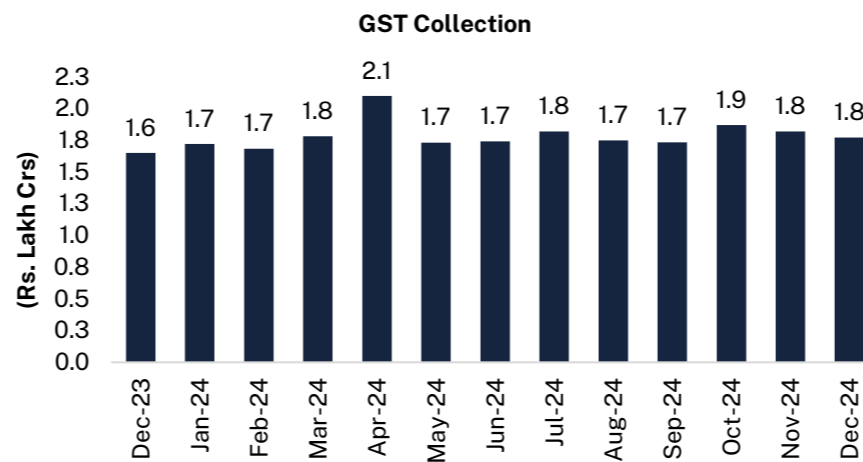
Industrial Production Picked Up to 5.2% YoY, Maintaining its Recovery from the Weak Print Seen 3 Months Ago



E-way bill generation in December 2024 reached its second-highest level in the past 12 months.



GST Collection Grew 7.3% YoY in December



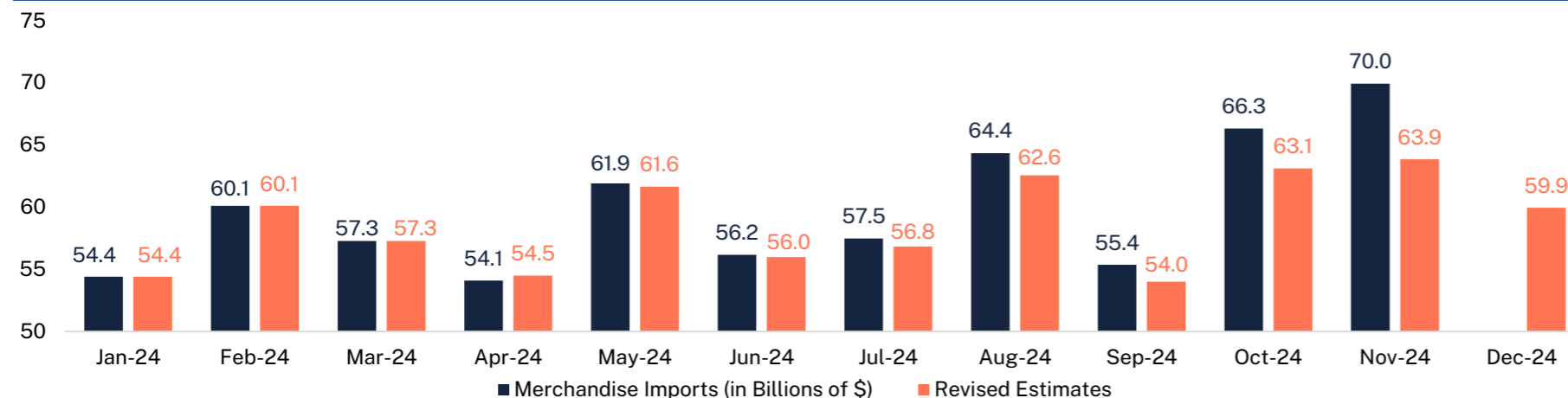
- What have we been saying?** There was above normal rainfall in September, as Northern India witnessed 29.2% more rainfall than its long-period average. This explains the slowdown in industrial activity and retail foot-traffic that was observed in September. We emphasized that the drop in PMI and industrial production would normalize once the effects of the excess rainfall subside by the end of the quarter.
- What still holds?** GST collections continue to remain robust, while PMI and industrial production growth have continued picking up since September.
- What's shifted?** After moderating in November due to the surge from the festive season, E-Way Bills have recovered. Moreover, industrial production growth has surged significantly and PMI inches closer to 60-level.

Source: Bloomberg, Spark PWM

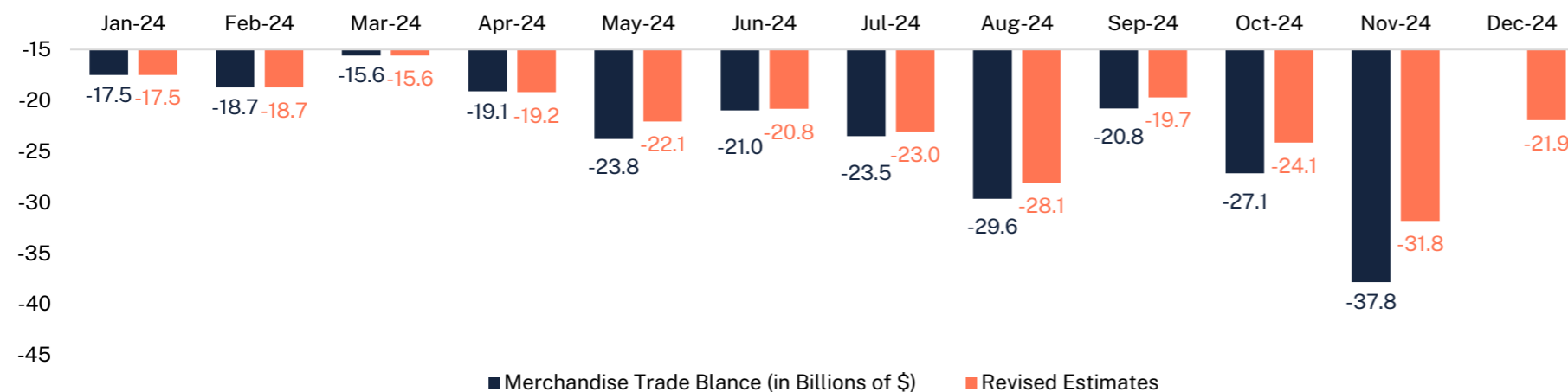
Trade Balances Gets Revised: Alleviates Some Pressure on CAD

India's trade deficit reached a new high of \$37.84 billion in November due to a surge in gold imports. However, the government recently revised its estimates due to an accounting error, which suggests the deficit was \$ 31.8 billion in November and \$21.9 billion as of December 2024.

All Monthly Merchandise Import Figures for FY25 Were Revised Lower, Novembers Sees the Sharpest Change of -\$6.1 billion



Trade Balance Figures Were Also Revised Lower Which Paints a Positive Picture for the Indian Economy

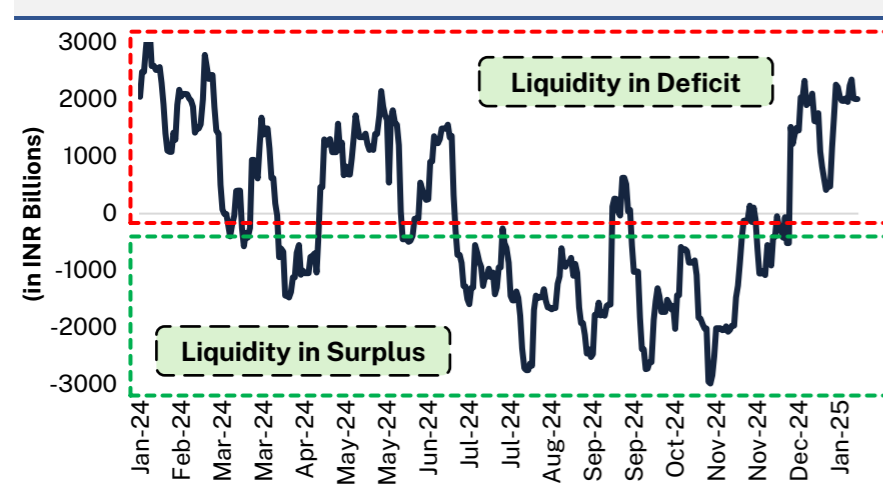


- What have we been saying?** The sharp recovery in crude prices has caused petroleum exports to take a hit. Moreover, this year's rally in gold has raised investor demand for it, thereby causing higher imports of the metal. Consequently, India's trade balance weakened significantly in November, applying pressure on CAD. We noted that the 27% YoY surge in gold imports was too large and likely due to an accounting error.
- What still holds?** Developments in India's trade balance excluding petroleum exports and gold imports suggests other segments are in good shape.
- What's shifted?** The government recently stated that gold imports were double-counted in certain cases, leading to highly skewed prints. As a result, the government has revised its trade balance estimates for each month of FY25. Nearly each month's import figures were revised lower, causing November's trade balance figure to be revised lower by \$6 billion.

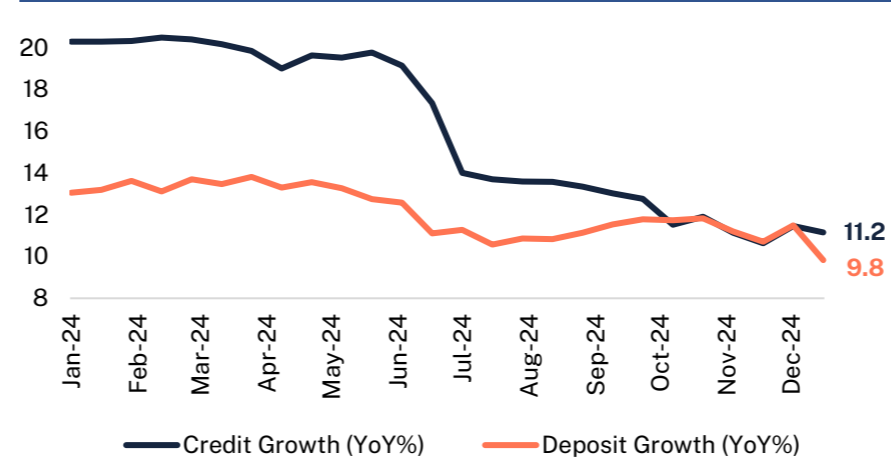
Liquidity Crunch in Banking System Likely to Continue if RBI Chooses Not to Lower Rates

Banking system liquidity deficit remains unchanged from the previous month as the spread between credit and deposit growth widened recently and M3 money supply growth has moderated significantly. A rate cut from RBI in February could reverse this situation.

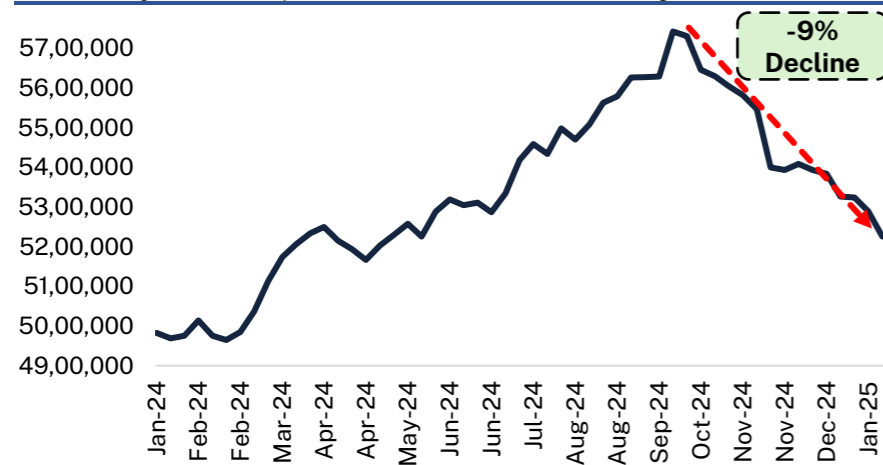
Banking System Liquidity Deficit Still Elevated



Credit Growth Outpaced Deposit Growth in December, Which Will Likely Continue Adding Stress on Liquidity



RBI Continues Intervening in FX Markets to Prevent INR Depreciation; Reserves Have Declined by 9% QoQ



M3 Money Supply YoY% Weakened in Jan, Indicating Liquidity Reversal is Unlikely in Short-Term



- **What have we been saying?** We previously highlighted that RBI was warning banks about their credit-deposit ratios as inflation was running too hot for rates to be lowered. Moreover, the recent Cash Reserve Ratio cut is expected to help infuse liquidity back into the banking system.
- **What still holds?** Inflation is still a bit high, but has shown positive signs of moderating as food prices have declined for the 2nd consecutive month.
- **What's shifted?** The moderation in the spread between credit and deposit growth has begun widening again, indicating that banking system liquidity may remain in deficit for a little longer. Moreover, M3 money supply growth has moderated sharply. A rate cut in Feb can help reverse this situation.

Source: Bloomberg, RBI, Spark PWM

Summary

Inflation and Rates



Good News for the US Economy is Bad News for Fed Rate Cuts

- After revising rate cut expectations for 2025 to 50 bps from 100 bps, the Fed stated that risks to inflation are 'weighted to the upside' while risks to unemployment and GDP growth remain 'broadly balanced'.
- Stronger than expected economic data for the labor market and economic activity could make a case that rates may be left higher for longer to tame inflation without causing the economy to soften.
- Following the release of December's jobs data which showed the unemployment rate fall from 4.2% to 4.1%, markets began pricing only 25 bps of easing in 2025 followed by an additional 25 bps towards the end of 2026.

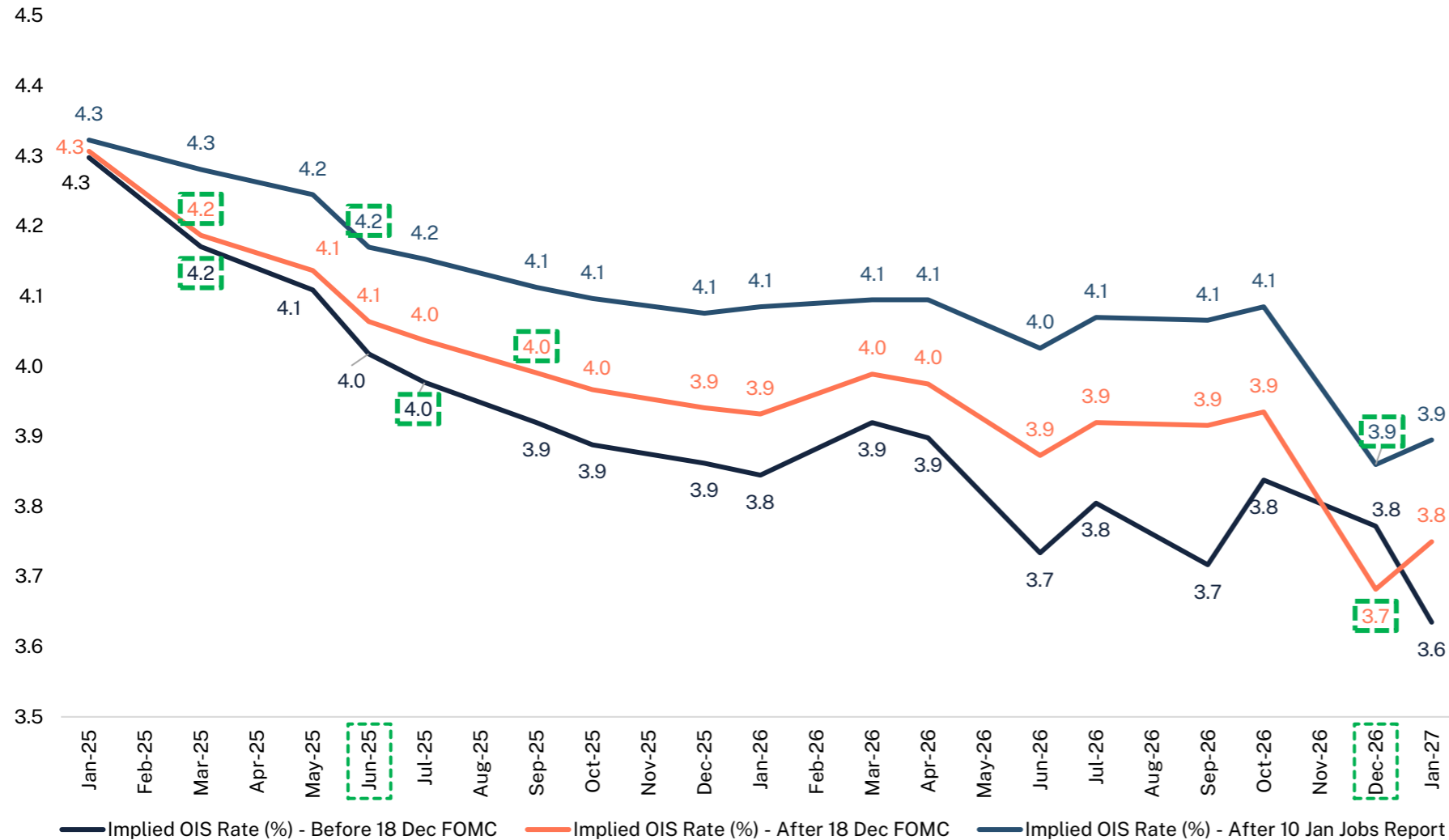
RBI Rate Cut Likely in February: Food Prices Declined For 2nd Consecutive Month

- CPI rose 5.22% YoY in December 2024, moderating from November's print of 5.48% YoY and October's print of 6.21% YoY. Given that there are no favorable high base effects in play, this trend of declining price levels on a YoY basis is positive.
- Moreover, CPI decreased on a MoM basis for the 2nd consecutive month. The declines over the past 2 months were led by moderation in food prices which accounts for 50% of the weight in India's basket of goods used to monitor price levels.
- Following, Sanjay Malhotra's appointment as the new RBI Governor, markets responded positively as G-Sec yields dropped over 6 basis points. His pro-growth stance is expected to translate in looser monetary conditions.

Good News for the US Economy is Bad News for Fed Rate Cuts

Stronger than expected labor market and consumption data might lead to markets pricing in fewer rate cuts as a strong economy might cause the Fed to focus more on taming inflation relative to other aspects of the economy.

Following the Fed's December FOMC Markets Priced In 2 Rate Cuts for 2025 and 1 in 2026, However the Stronger than Expected Job Market Data Has Led to Markets Pricing In Only 1 Rate Cut in 2025 and Another in 2026

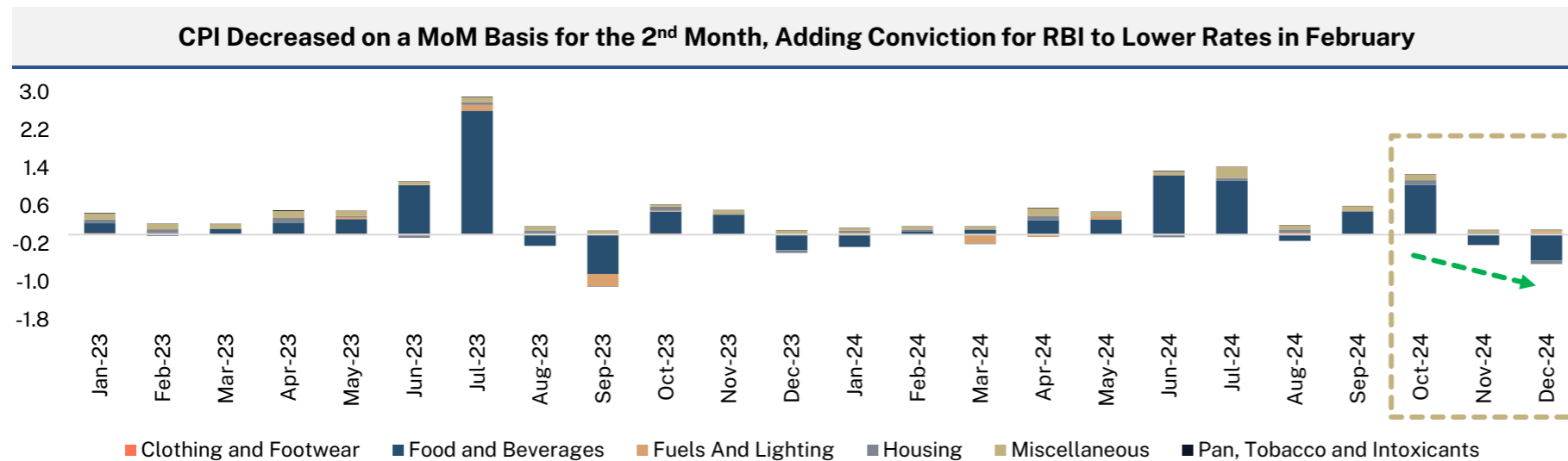
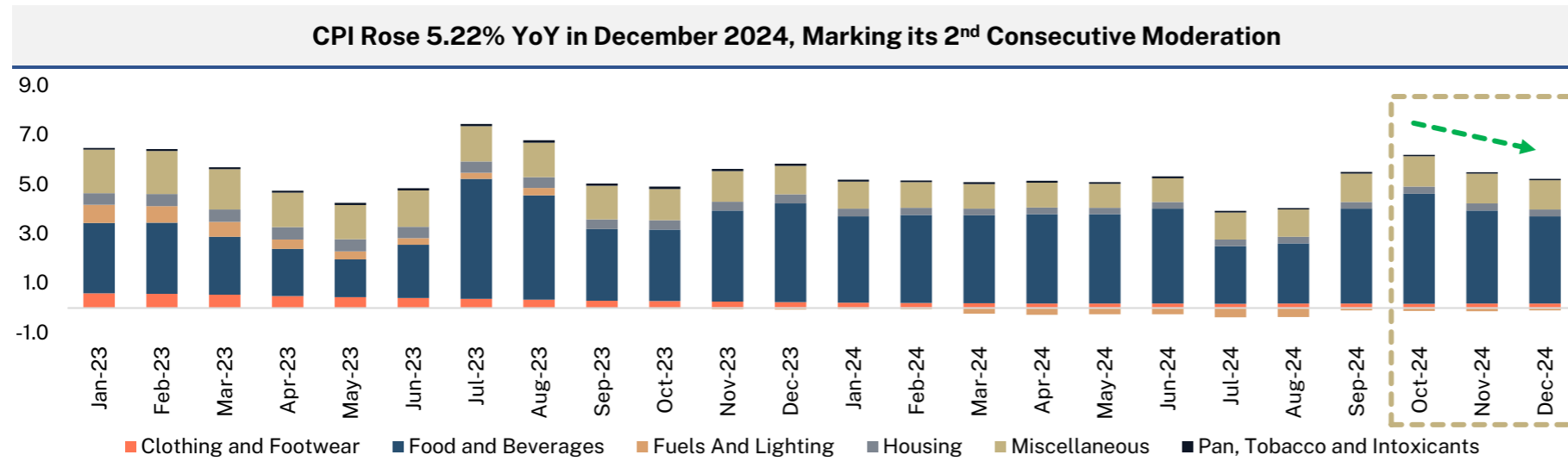


- What have we been saying?** Over the past 4 months, markets have been pricing in fewer and fewer rate cuts as the US economy's growth and labor market continue to show positive data. Following the December FOMC, markets priced in even fewer rate cuts as Fed members stated that risks to inflation are now 'weighted to the upside' and not 'broadly balanced'.
- What still holds?** The labor market and GDP growth continue to show resilience, indicating that the Fed has a case to keep rates higher for longer to tame inflation as risks to other aspects of the economy remain in balance.
- What's shifted?** In previous months, weak economic data spurred markets to price in more rate cuts. However, now that risks to inflation are higher than risks to unemployment and GDP growth, strong economic data is likely to cause markets to price in fewer rate cuts.

Source: Bloomberg, US Federal Reserve Summary of Economic Projections Archive, Spark PWM

RBI Rate Cut Likely in February: Food Prices Declined For 2nd Consecutive Month

Food prices have declined -0.22% MoM in November and -0.55% MoM in December, showing signs that food prices may have peaked. Moreover, after headline CPI's high-base effect vanished in September, overall price levels have moderated on a YoY basis for 2 consecutive months.



- What have we been saying?** The dips in inflation observed during July and August were due to a high YoY base effect and not a moderation in price levels. Since that base effect is no longer in play since September, we thought that seeing inflation prints higher than RBI's 4% target should not be surprising.
- What still holds?** Price levels continue to remain above RBI's 4% range.
- What's shifted?** Food and beverage prices have moderated for 2 consecutive months on a MoM basis, causing headline CPI to moderate as well. Moreover, the new RBI Governor Sanjay Malhotra's appointment resulted in G-Sec yields dropping, suggesting that market consensus expects monetary policy to be looser under his leadership. These factors add to the case for a rate cut in February 2025.

Source: Bloomberg, RBI, Spark PWM

Summary

Valuation and Earnings



Decoding Valuations

- Out of the Nifty 500 stocks, 29.8% are trading above their 200 day Moving Average.
- Amidst the recent market correction that has been driven by heavy FII selling, Nifty 50 is trading just below its historic average P/E, while Nifty Midcap 150 is hovering close to one-standard-deviation above its long-term average P/E.

Sectoral Valuations

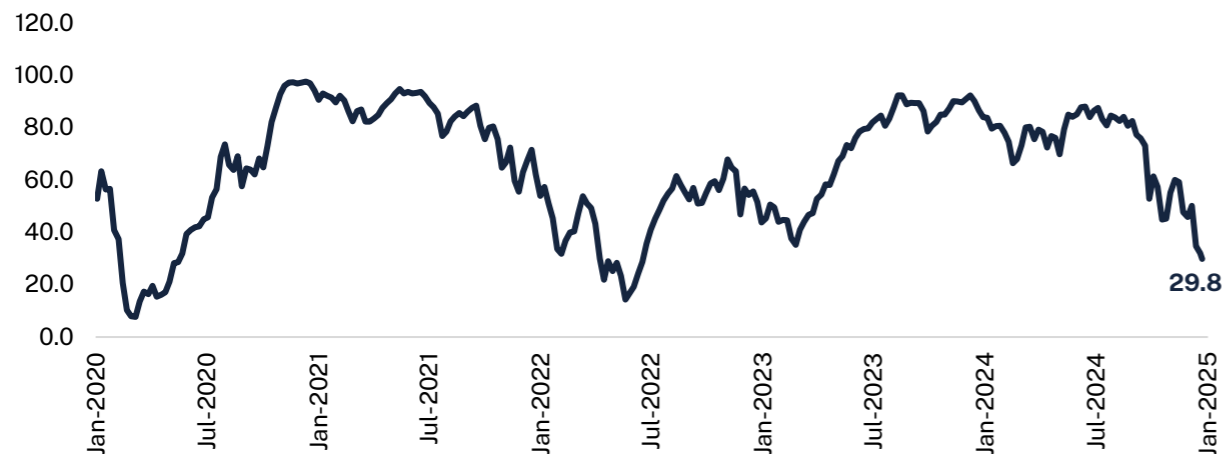
- Based on 1-year blended forward looking estimates of sector-specific fundamentals it appears that auto and bank stocks have become relatively cheap.
- Moreover, IT and consumer durable equities have reached close to fair long-term valuation levels.

Q3FY25 Earnings Outlook

- The Q3FY25 earnings season has been weak, with revenue and earnings growth pressured across sectors. This reflects challenges from heavy reliance on volume growth assumptions for FY25E and FY26E. A slowdown in capex and exports has broadly impacted earnings.

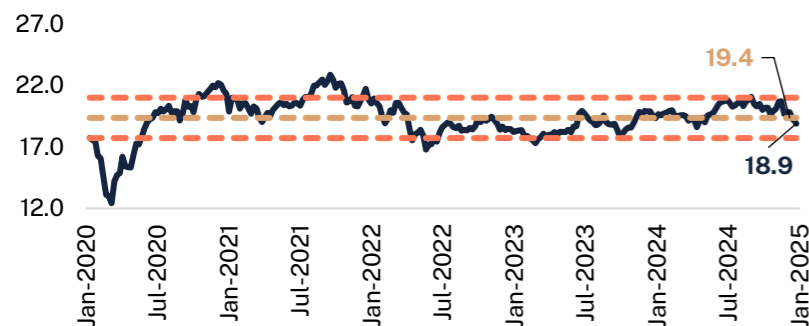
Decoding Valuations

29.8% of Nifty 500 Members are Trading Above their 200 Day Moving Average



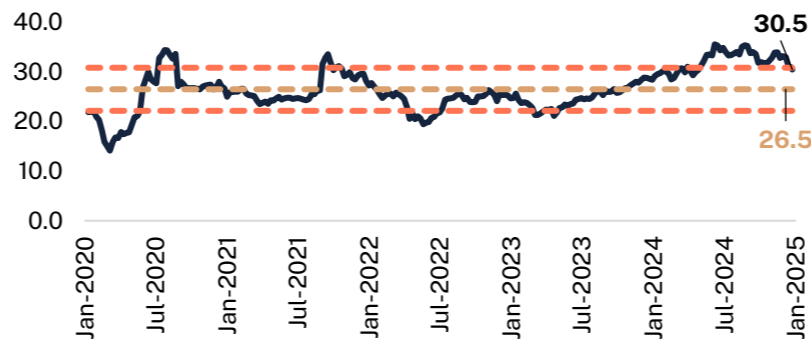
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Nifty 50



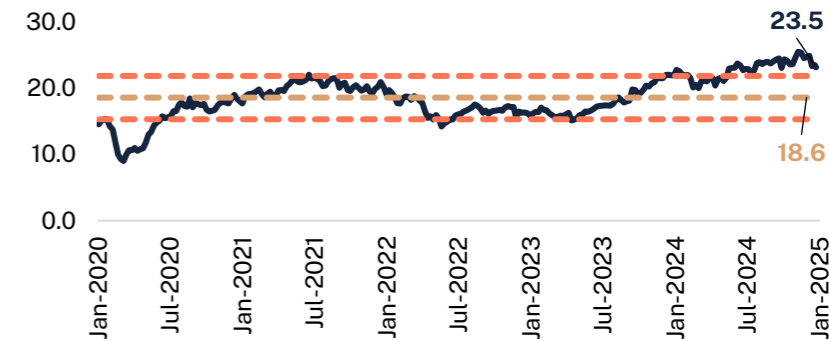
— BEst P/E Ratio (Blended 12 Months)
 - - - Deviation 1 - BEst P/E Ratio (NIFTY Index)
 - - - Avg - BEst P/E Ratio (NIFTY Index)

Nifty Midcap 150



— Adjusted Price/Estimated Earnings (NSEMD150 Index)(Blended 12 Months)
 - - - Deviation 1 - Adjusted Price/Estimated Earnings (NSEMD150 Index)
 - - - Avg - Adjusted Price/Estimated Earnings (NSEMD150 Index)

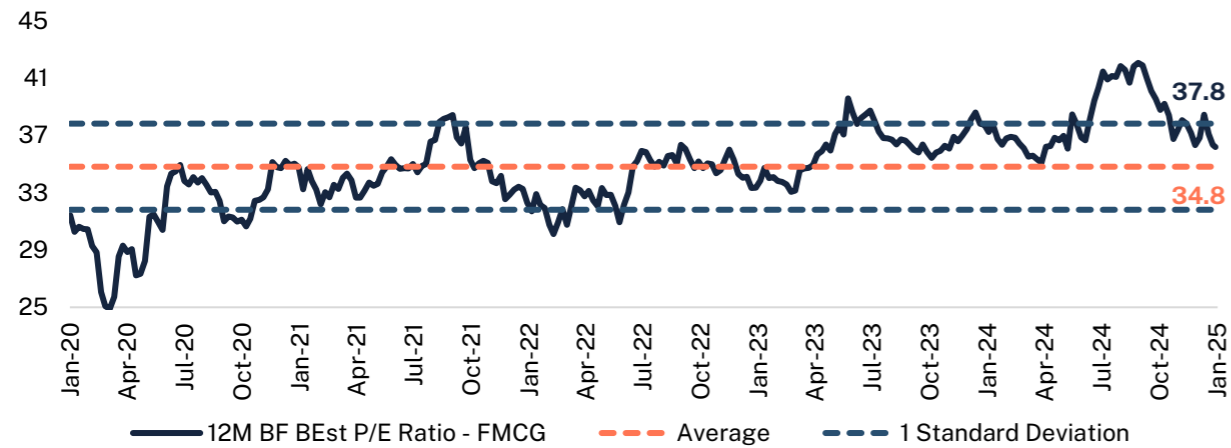
Nifty Smallcap 250



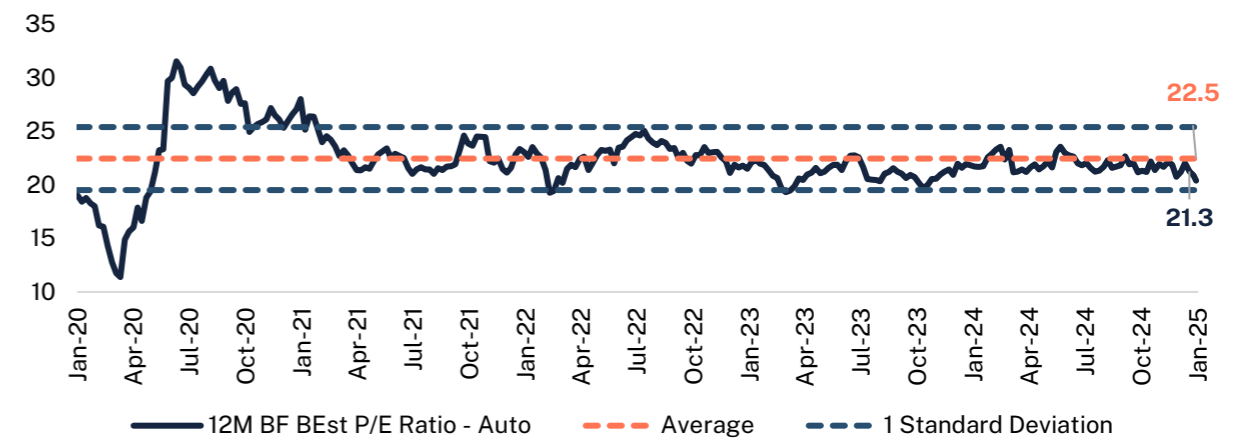
— Adjusted Price/Estimated Earnings (NSES250 Index)(Blended 12 Months)
 - - - Deviation -1 - Adjusted Price/Estimated Earnings (NSES250 Index)
 - - - Avg - Adjusted Price/Estimated Earnings (NSES250 Index)

Sectoral Valuations - I

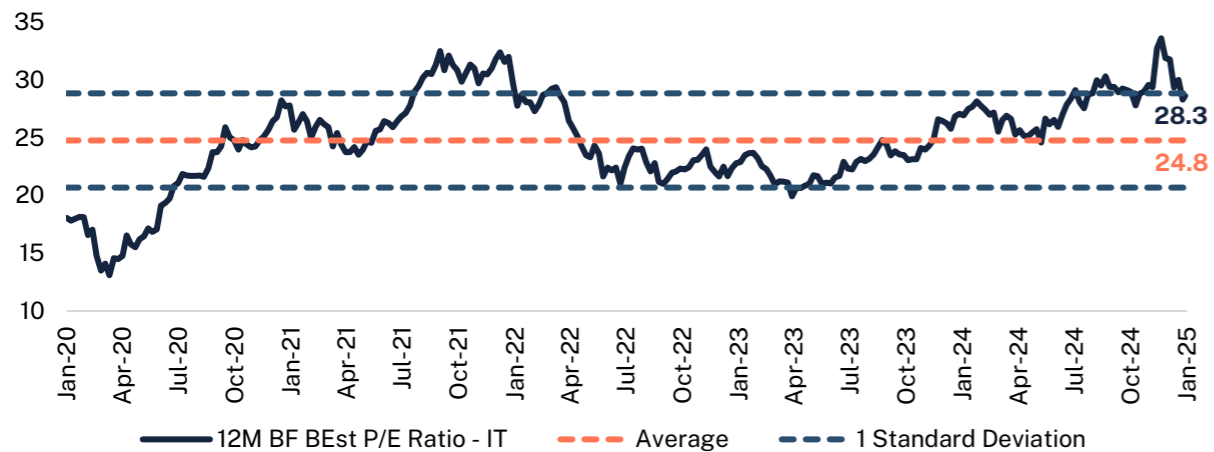
Nifty FMCG (P/E)



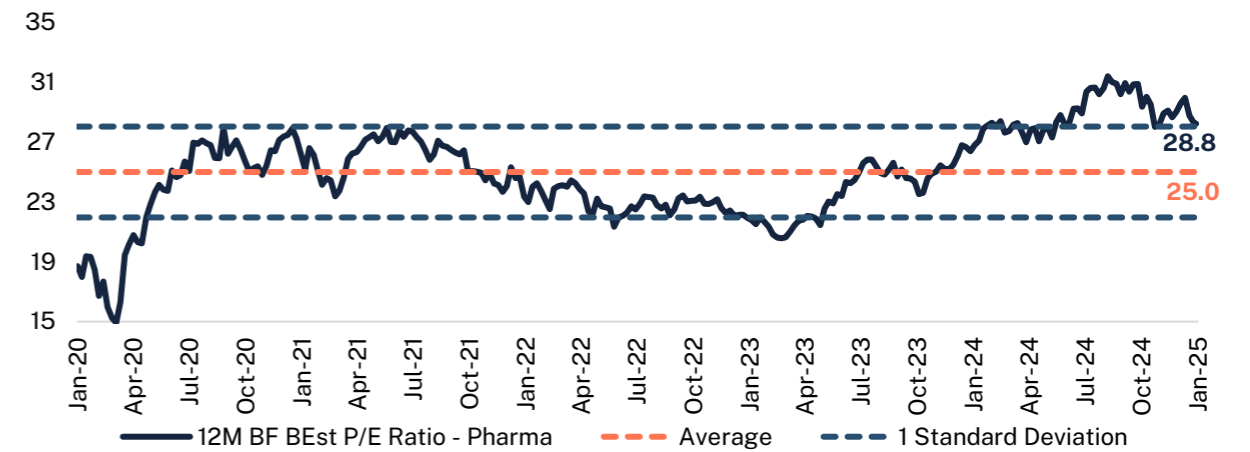
Nifty Auto (P/E)



Nifty IT (P/E)

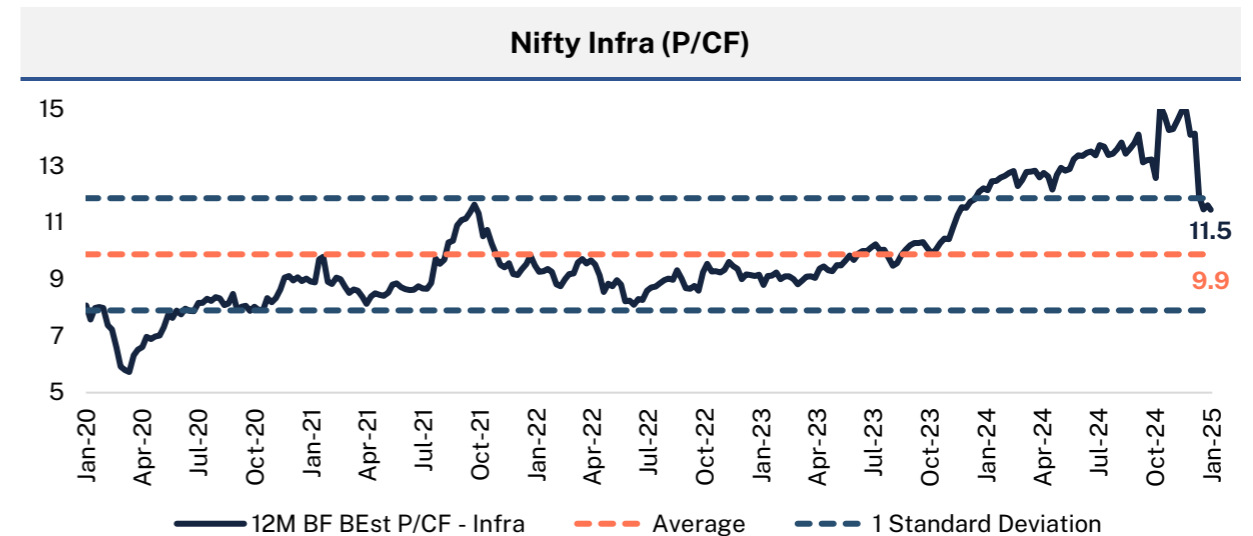
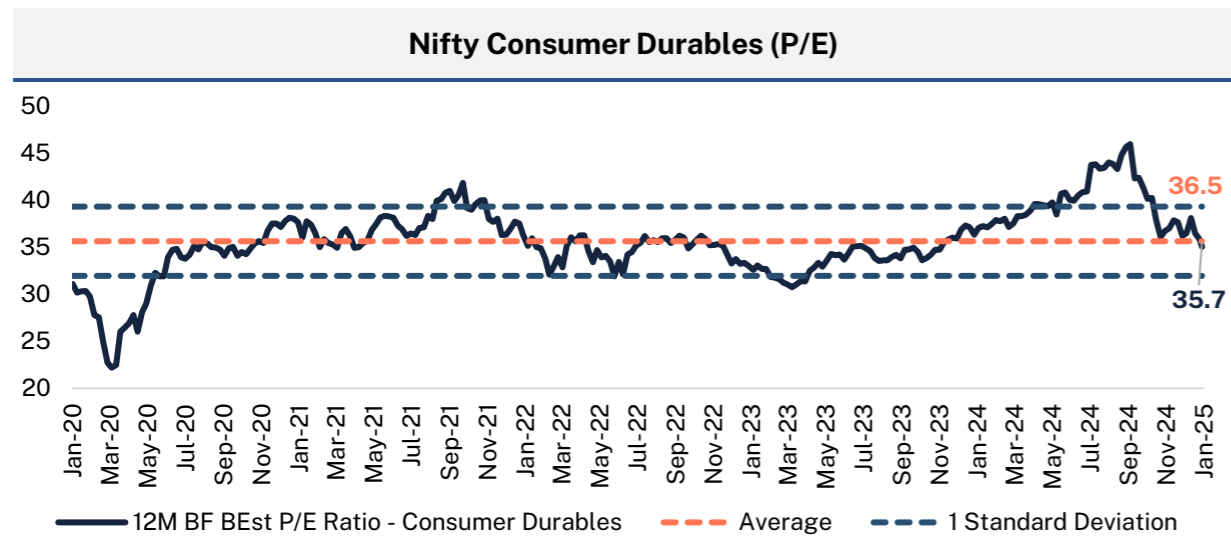
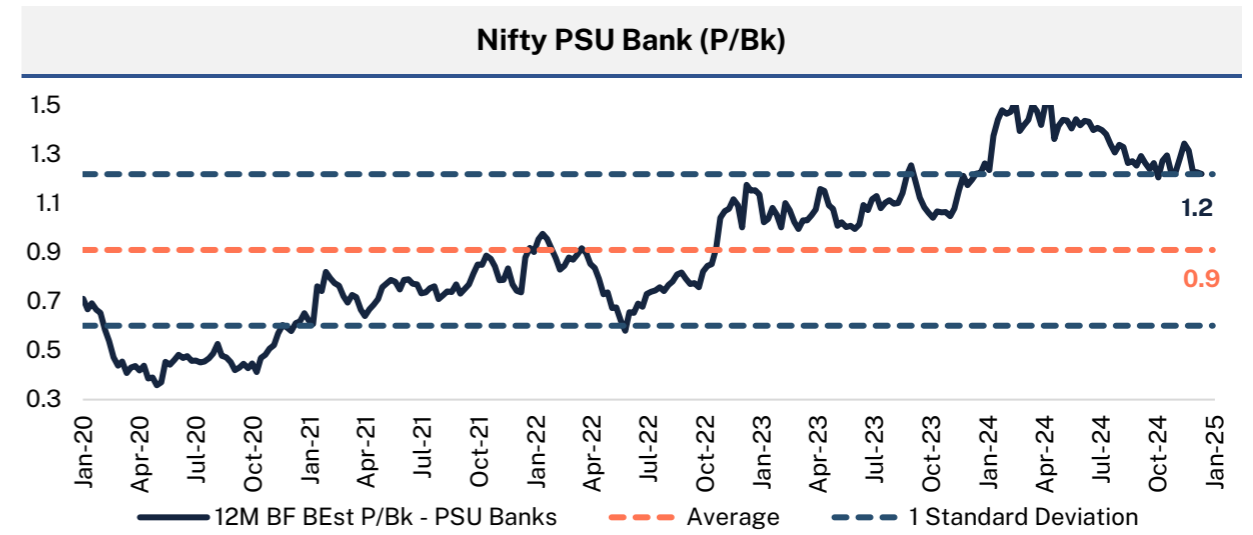
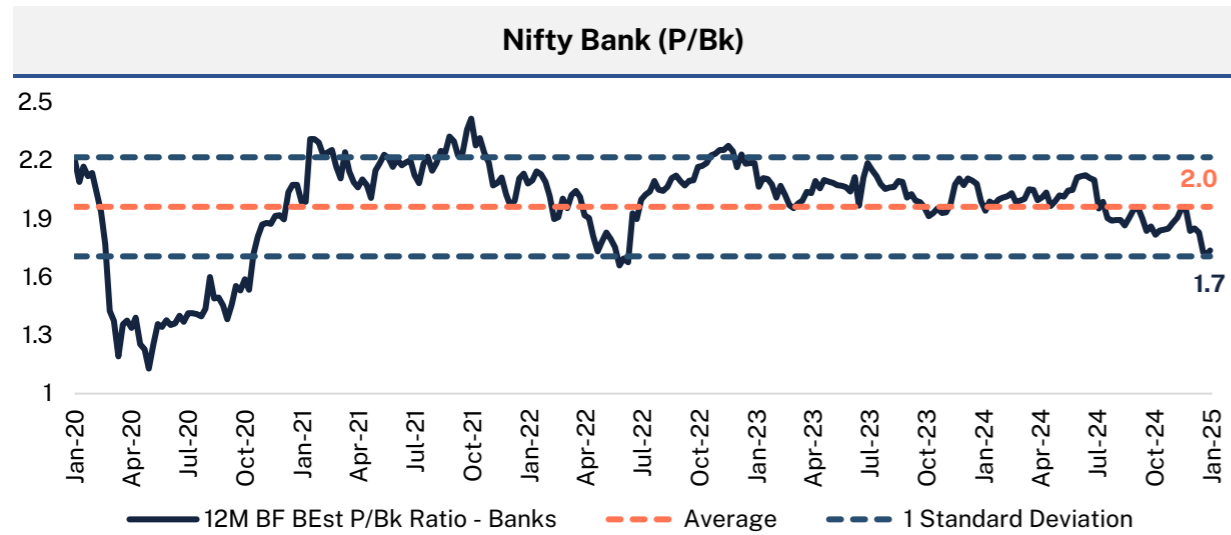


Nifty Pharma (P/E)



Source: Bloomberg, Spark PWM

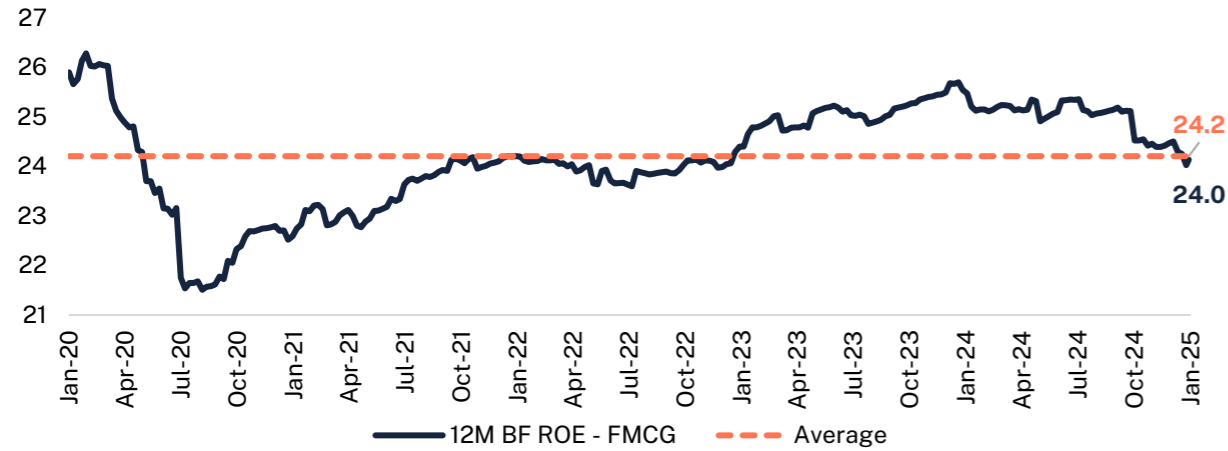
Sectoral Valuations - II



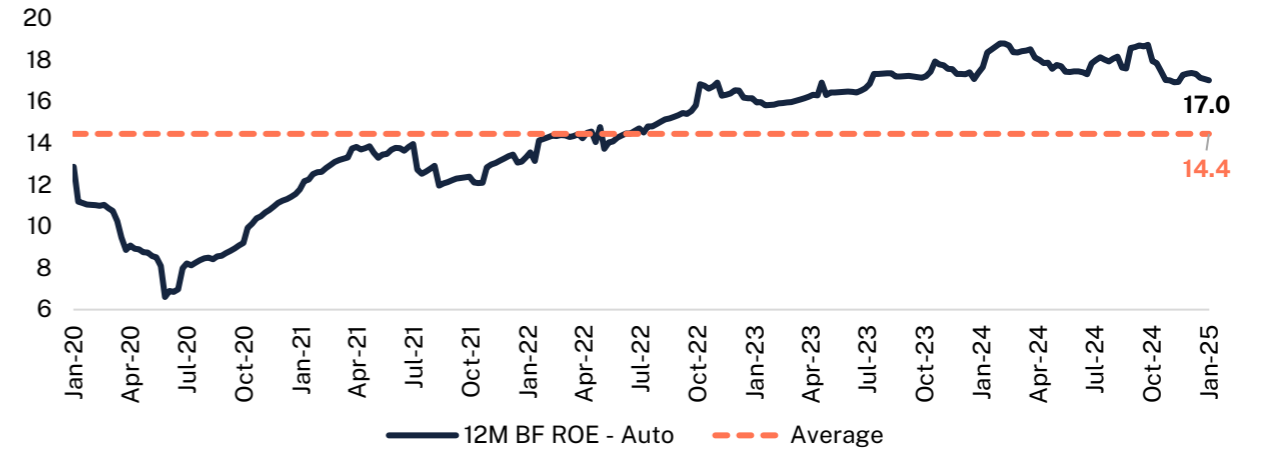
Source: Bloomberg, Spark PWM

Sectoral Return on Equity - I

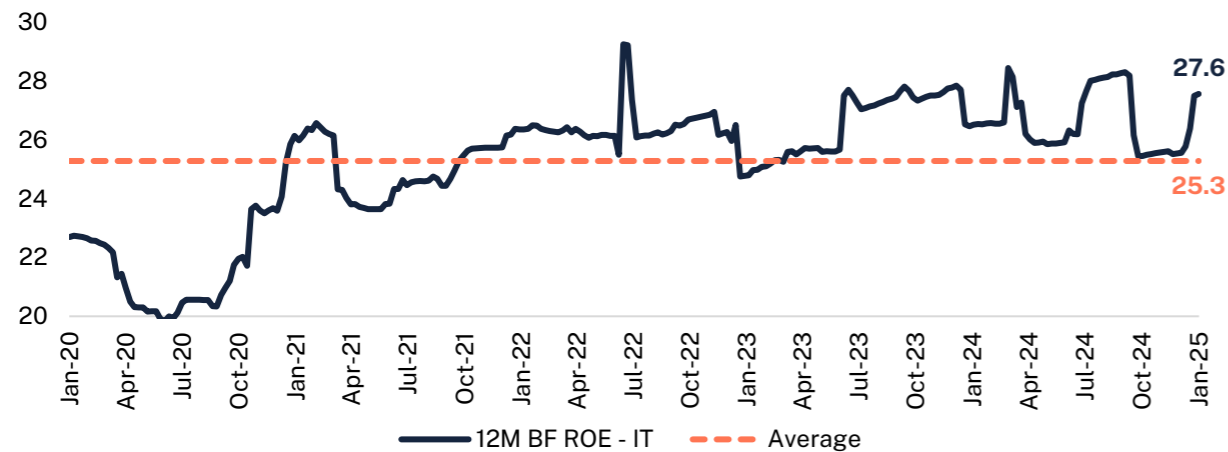
Fast Moving Consumer Goods



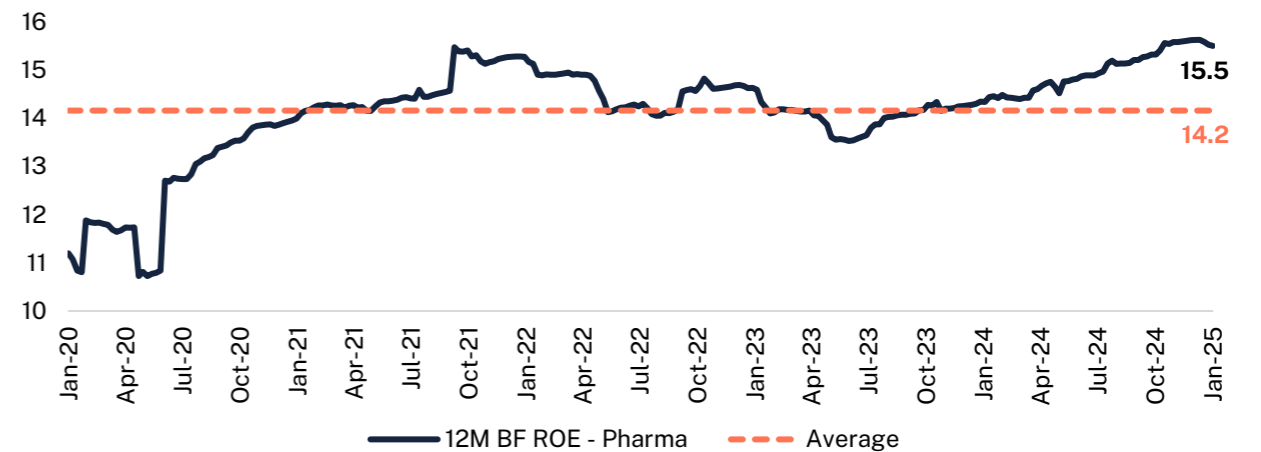
Automobiles



Information Technology

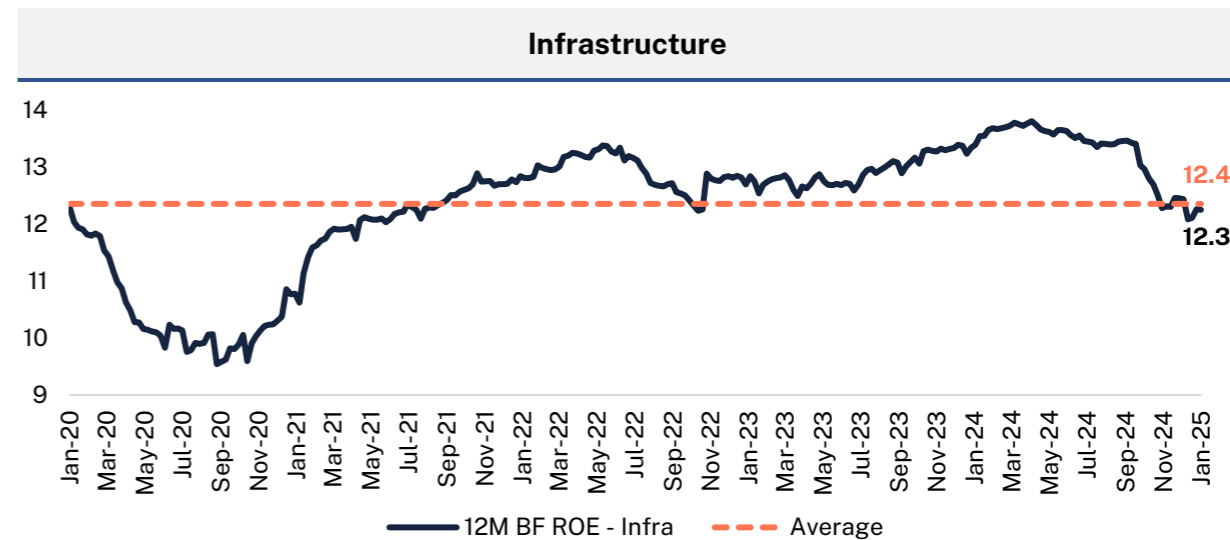
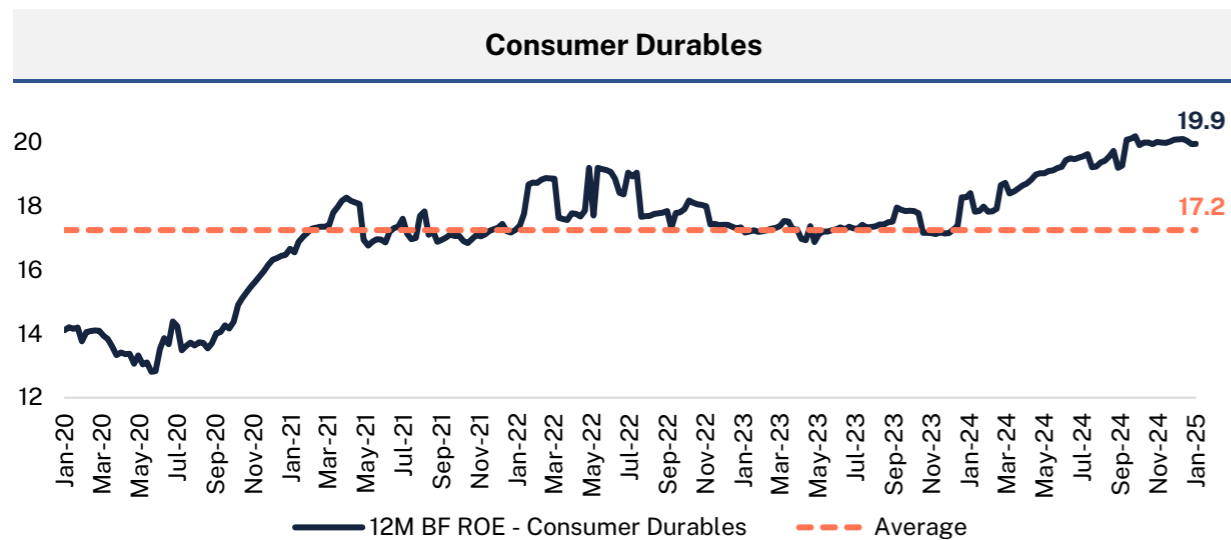
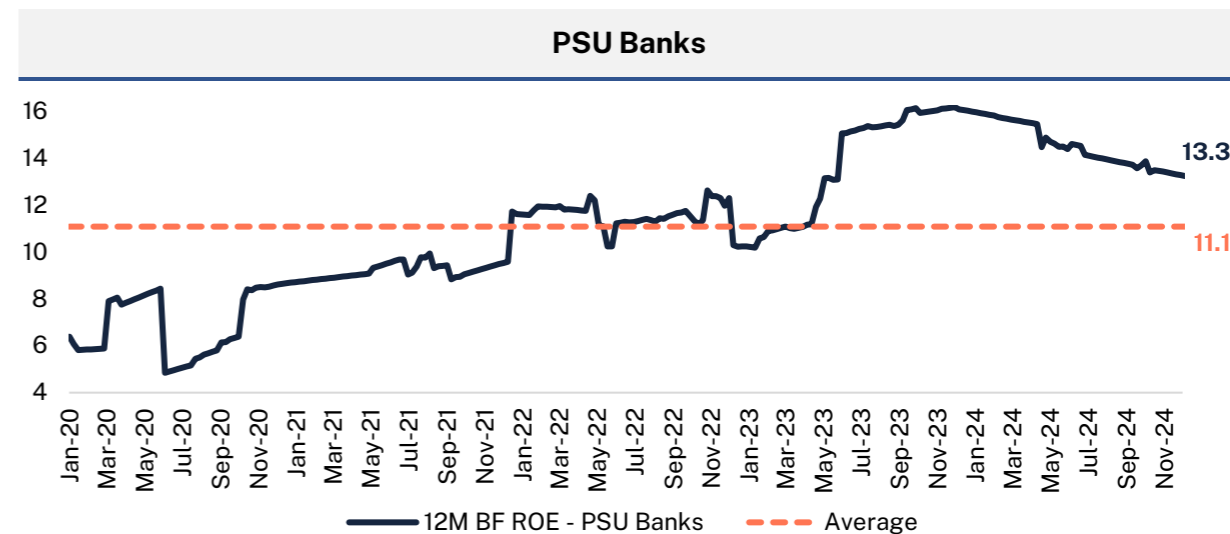
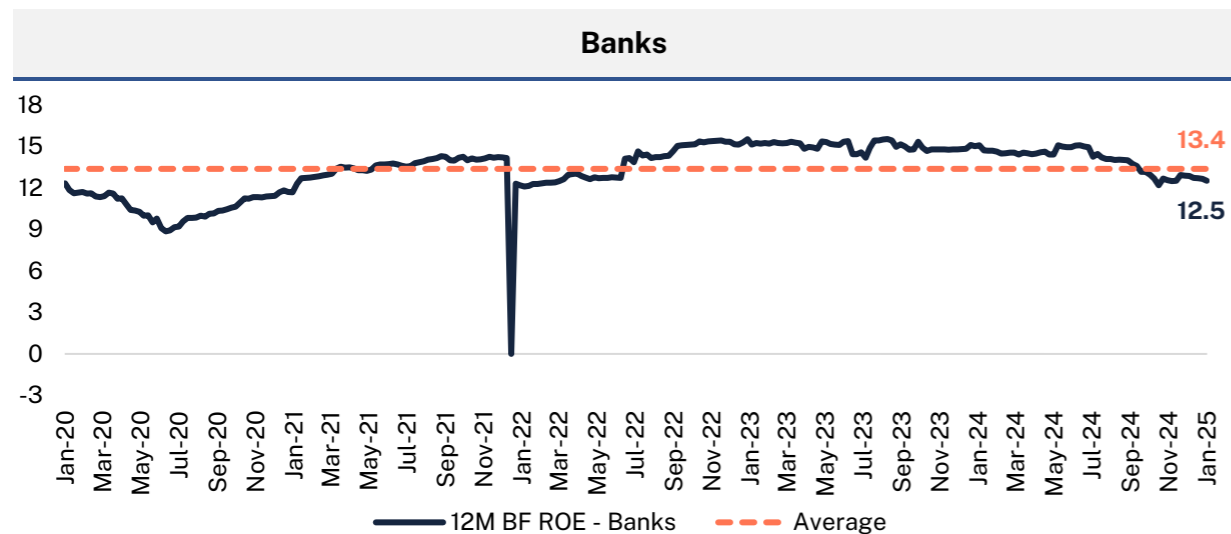


Pharmaceuticals



Source: Bloomberg, Spark PWM

Sectoral Return on Equity - II



Source: Bloomberg, Spark PWM

Q3FY25 Earnings Outlook

The Q3FY25 earnings season has been weak, with revenue and earnings growth pressured across sectors. This reflects challenges from heavy reliance on volume growth assumptions for FY25E and FY26E. A slowdown in capex and exports has broadly impacted earnings.

Sector	Outlook
BFSI	<ul style="list-style-type: none"> Banks have reported credit growth of 10-15% and deposit growth of 9-13%. While NIM pressure has moderated as most deposit repricing is complete, concerns remain around the floating-rate loan book, which could face further yield compression in rate cut cycle. The asset quality issues in MFI and unsecured lending appear to have peaked and high-yielding retail unsecured lending is likely to accelerate from 2QFY26. Valuations are attractive, and the positives outweigh the negatives, making the banking sector an appealing investment opportunity poised for strong growth
IT	<ul style="list-style-type: none"> The IT sector in Q3FY25 shows a mixed but generally positive outlook, driven by emerging growth areas like cloud adoption, AI, and application modernization. While some sectors such as BFSI, retail, and Hi-tech are experiencing strong growth, others like manufacturing and life sciences are facing challenges, though recovery is expected. Discretionary spending is showing signs of revival, particularly in BFSI and retail, contributing to improved revenue realization and deal productivity. The IT sector is also benefiting from a shift towards cost optimization and business transformation projects. Shortened deal cycles indicate better decision-making, and regional markets, especially outside of India, are gaining traction. With a robust pipeline of deals, particularly in cloud and generative AI, the sector is poised for continued growth in the coming quarters. Overall, the sector is optimistic about performance in CY25 and CY26, with strong momentum in key verticals and improved client confidence.
Healthcare	<ul style="list-style-type: none"> The Indian pharma sector delivered strong domestic growth (10-15% YoY), driven by chronic therapies and new launches, while US sales remained challenging due to pricing pressure and product-specific issues. However, a recovery is expected from FY26+ with high-value launches like gAdvair, gAbraxane, and Semaglutide. International markets were mixed, with strong growth in Europe and Russia, but LatAm and Africa faced geopolitical and currency risks. Margins remained stable, though cost pressures from R&D, marketing, and raw materials impacted profitability. Despite near-term challenges, the sector's long-term outlook remains positive, supported by 10-12% CAGR in India and US pipeline visibility from FY26.
Oil & Gas	<ul style="list-style-type: none"> The Oil and Gas sector showed mixed results in Q3, with refining margins remaining strong for some companies, while others faced pressure from softer refining margins and moderating marketing margins. LPG under-recoveries were a notable concern across the sector, and geopolitical risks, particularly related to Russian crude, could weigh on earnings in Q4. The Oil to Chemicals (O2C) segment showed steady improvement, but potential crude price volatility and sanctions posed risks to future performance. On the production front, increasing oil and gas output, especially from fields like KG, along with improving gas realizations, provide some optimism for the sector's medium-term outlook.

Q3FY25 Earnings Outlook

Sector	Outlook
Automobiles	<ul style="list-style-type: none"> ▪ Sales & Volume: Moderate growth driven by exports, while domestic demand remained tepid. Discounts and weak lower-end demand impacted ASPs. ▪ EBITDA & Margins: Margins remained resilient despite pricing pressures, supported by cost controls and forex gains. EV mix increasing but with lower profitability. ▪ PAT Growth: Profitability slightly below estimates due to higher sales promotions and weak domestic volumes. Export recovery provided some relief. ▪ Outlook: Exports improving, while domestic market faces challenges in 2W motorcycles. EV profitability improving, but competition from new entrants rising.
Cement / Building Materials	<ul style="list-style-type: none"> ▪ The Indian cement sector is showing a positive outlook as demand improves and pricing power returns. Consolidation through inorganic acquisitions, such as Ultratech's purchase of India Cements and Kesoram, has reduced competition and strengthened the market. Pricing has improved, with realizations up by 1.4% QoQ in Q3FY25 and further increases expected. Demand is expected to grow by 9-10% in FY26, driven by government capex, rural demand, and urban housing activity. The sector is also benefiting from lower competitive intensity, which is set to improve margins and EBITDA per tonne. With ongoing capacity expansions and stable operating costs, cement companies are poised for higher profitability in the coming years. The outlook for FY26 and FY27 remains strong, supported by better demand, pricing, and operational efficiencies. Risks include increased competition and weak demand in certain regions, but overall sector sentiment is optimistic.
Chemicals	<ul style="list-style-type: none"> ▪ Construction Chemicals (Pidilite): Long-term growth intact; infrastructure push, green building adoption, and quality regulations to drive demand. Short-term softness persists, but strong brand positioning ensures stability. ▪ Fluorochemicals (SRF, Gujarat Fluorochemicals): Refrigerant demand strong; regulatory shifts in the US impact HFCs, but India and Middle East show growth. Fluoropolymers, battery chemicals, and specialty chemicals to drive future expansion. ▪ Specialty Chemicals (Himadri, Deepak Fertilizers): Strong YoY growth; cost efficiency, capacity expansion, and product diversification aiding margins. Specialty carbon black and LFP to be key growth areas. ▪ Fertilizers & Bulk Chemicals: Revenue and margins improving, backed by strong monsoon and government-led investment growth.
Realty	<ul style="list-style-type: none"> ▪ Real estate players showed mixed pre-sales growth in Q3FY25, with some players experiencing strong pre-sales growth, while others saw a decline or muted performance. Luxury projects, however, continued to see robust sales momentum. For companies with lower pre-sales, the decline was attributed not to a demand slowdown, but to delays in new launches, with expectations that upcoming launches in Q4FY25 and Q1FY26 will drive a rebound in pre-sales. Strong cash flows and a continued rise in realizations per square foot were evident across the sector. Overall, the sector's outlook remains positive, with an optimistic view from players for the coming quarters.

Summary

Allocation of Capital



FPIs Maintain Selling Streak & DIIs Continue Absorbing; SIPs & MF Flows Still Resilient

- FPIs net sold 54.0k Rs Cr of equities, while DIIs net bought worth 57.2k Rs Cr (as of 23rd January, 2025).
- Gross SIP inflows rose 50% YoY to INR 26,459 Cr in December 2024.

Dull Start to 2025: Fortnightly FII Selling at Highest Level Since October 2024 Sell-Off

- In the first 2 weeks of January 2025, FII's net sold equities in nearly every sector. Majority of the FII selling was directed towards the financial services, which saw an outflow of INR 12,204 Cr.

FPI Become Net Sellers as India-US Yield Spread Declines

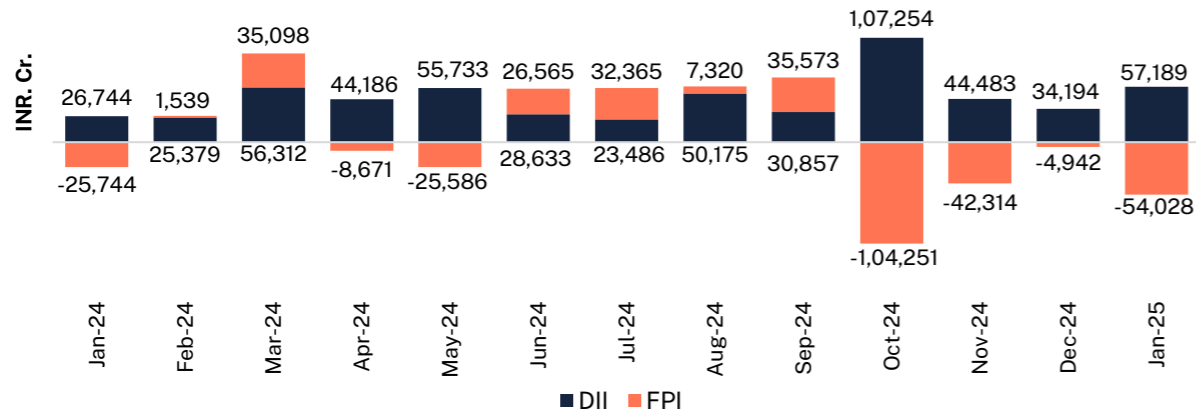
- FPI flows to domestic debt instruments recorded an outflow of ~\$1.1 bn* in Jan'25 on the back of sharp decline in India-US yield spread.
- The decline in India-US yield spread is owing to sharp rise in US yield on the back of strong job market data, uncertainty regarding US Tariffs and Corporate tax cuts.
- While Passive flows should continue on the back of India's inclusion in major Debt indices, Active flows can be volatile in the near term.
- Foreign investors still own about only 3% of central government bonds outstanding and the holding is only expected to increase in the long-term owing to strong domestic macros.

FPI Selling Appears to be a Theme Across Most Emerging Markets, Not Just India

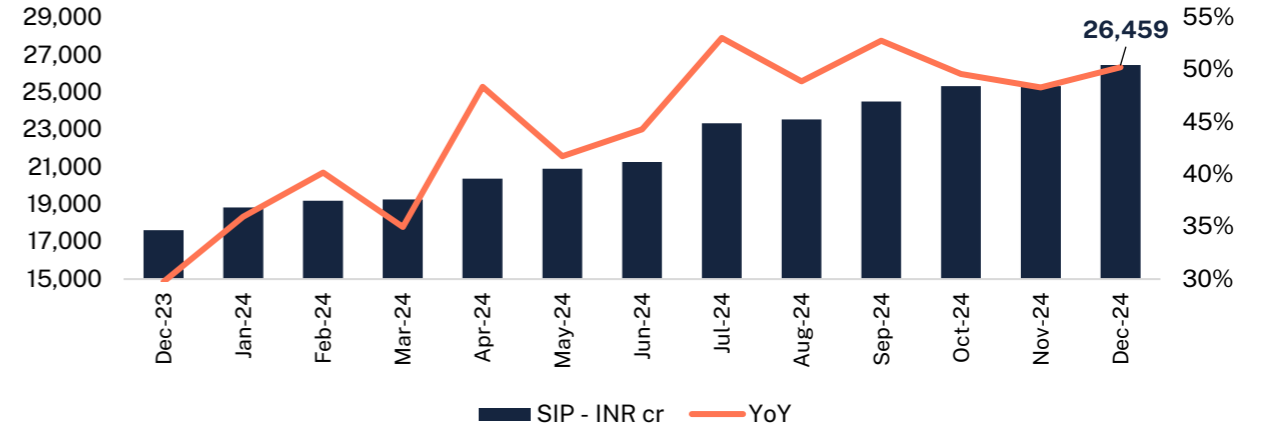
- FPIs have been pulling money out of EMs since October 2024, implying that the sell-off isn't constrained to just India. The only EM that has received net inflows since December 2024 is Brazil, which is primarily due to a dramatic shift in their political and economic regimes.

FPIs Maintain Selling Streak & DIIs Continue Absorbing; SIPs & MF Flows Still Resilient

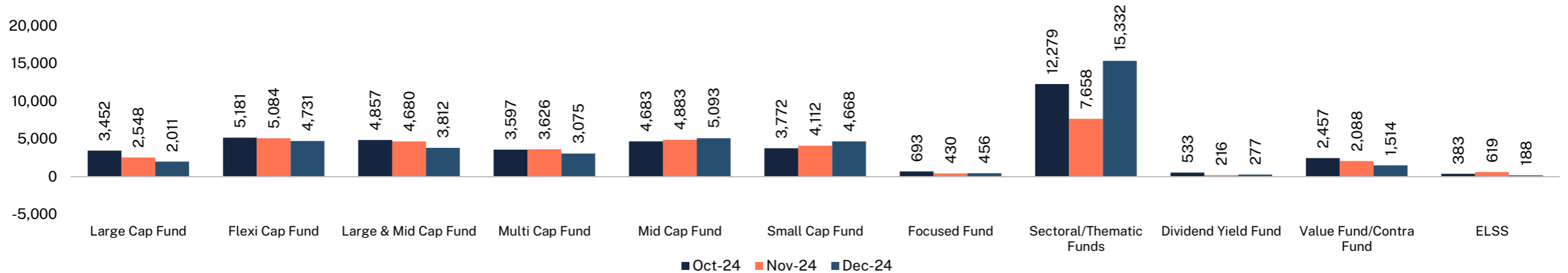
FPIs Continued Their Selling Streak in Indian Equities Since October 2024



Gross SIP Inflows Rose 50% YoY to INR 26,459 Cr in December 2024



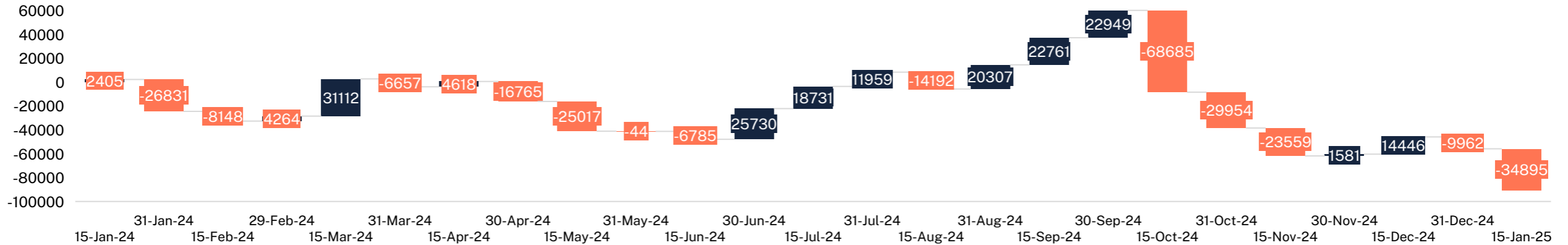
Equity Mutual Fund Flows - December 2024 (Rs. Crore)



Source: Bloomberg, Association of Mutual Funds in India, NSDL, SEBI, Spark PWM

Dull Start to 2025: Fortnightly FII Selling at Highest Level Since October 2024 Sell-Off

Net FII Flows to Equities (Rs Crore)



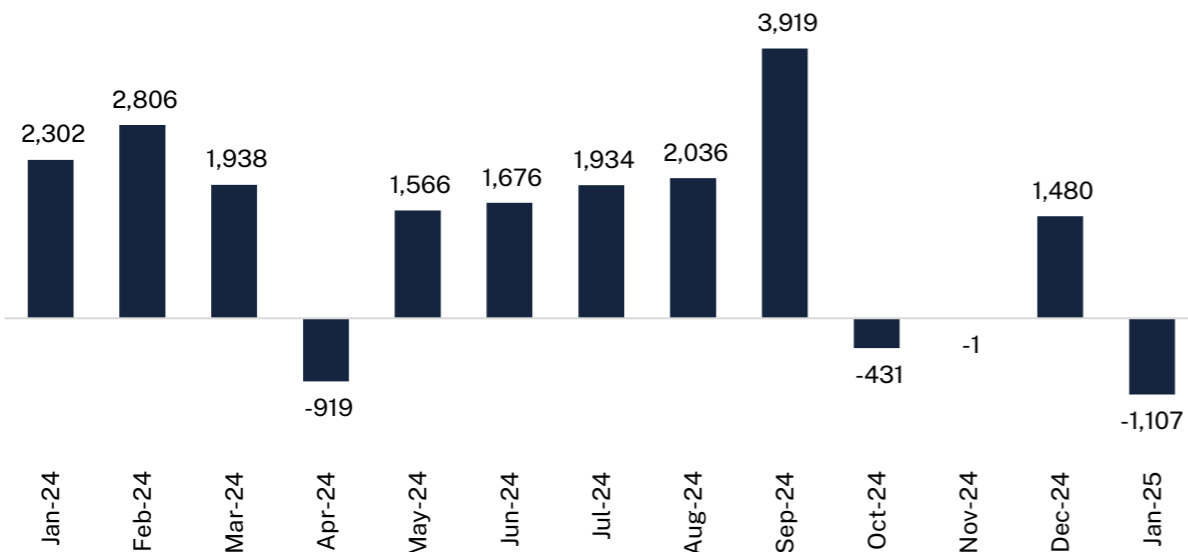
Breakdown of Fortnightly FII Flows to Indian Equities Across Sectors (Rs Crore)

	15-Jan-24	31-Jan-24	15-Feb-24	29-Feb-24	15-Mar-24	31-Mar-24	15-Apr-24	30-Apr-24	15-May-24	31-May-24	15-Jun-24	30-Jun-24	15-Jul-24	31-Jul-24	15-Aug-24	31-Aug-24	15-Sep-24	30-Sep-24	15-Oct-24	31-Oct-24	15-Nov-24	30-Nov-24	15-Dec-24	31-Dec-24	15-Jan-25	Total
Automobile and Auto Components	-1630	-437	2539	3003	3697	-2085	1679	-560	-706	-3323	-315	2054	2993	3155	-1628	-751	-1983	-123	-8131	-2,309	-4,411	-3,053	-1,823	-2,548	-1,924	-14,148
Capital Goods	-304	1000	921	2985	2838	951	1228	2408	376	5648	-137	2929	3612	1315	-1089	780	1778	2224	-853	-1,933	-1,004	681	2,657	471	-2,620	29,011
Chemicals	-91	-1036	-790	-1	45	868	373	405	-96	568	923	1037	-118	-394	-204	182	699	746	552	31	210	-197	646	-46	42	4,358
Construction	-218	-75	-4251	-243	633	173	827	-547	-3811	1125	-2660	-63	-902	-627	-699	835	191	3	-3149	-4,941	1,115	-1,824	974	64	-2,416	-18,134
Consumer Durables	386	-1445	180	931	-167	-1175	-1624	-111	-659	-102	-953	1038	125	-313	-584	5297	2226	1510	-846	-2,017	-433	426	-748	-152	-931	942
Consumer Services	1015	-97	3041	4497	4117	524	1713	-386	733	2026	1607	3097	1642	1787	2196	1962	-156	-2784	-4633	-4,230	-629	471	2,715	505	-3,507	20,228
Fast Moving Consumer Goods	-634	-2016	-3011	-1461	11180	-4939	-4351	-3563	-1158	-3015	-245	-677	1809	-834	1785	1815	1372	3528	-6818	-4,764	-3,589	2,184	-1,655	-1,134	-1,134	-19,057
Financial Services	1248	-31261	-7536	-2441	5365	-1900	3212	-12550	-9687	1104	1008	8162	471	-8119	-14790	2782	12253	14947	-23274	-2,865	-7,092	9,597	7,424	-4,338	-12,204	-53,942
Healthcare	-304	-58	4212	987	-1577	627	61	-768	172	-11	413	2886	2378	2676	3462	2369	3652	2987	-2376	2,321	734	-254	1,917	1,850	-1,460	26,506
Information Technology	-492	4977	3240	-1043	-1104	-555	-4658	-4915	-5574	-228	-2559	1578	2765	8998	-493	4529	48	-1267	-2727	-172	3087	2429	6754	2296	-1927	12,618
Metals & Mining	322	-1949	-1067	391	275	931	279	-520	-735	-218	-1861	-1128	1969	5341	-2668	-1105	-1857	3012	222	-75	-1291	86	847	124	-1997	-799
Oil, Gas & Consumable Fuels	1455	2012	1035	-4578	-1110	-1169	-923	-1443	-2808	-2746	-3683	1048	1944	-325	-1311	2518	1672	-2312	-12371	-9,073	-7,214	-6,132	-5,337	-5,489	-1,203	-50,851
Power	1040	1521	-2895	1404	272	-227	5143	-834	-792	-2250	-59	-2439	-891	-2905	1169	-2305	1167	242	-2678	1,168	-906	109	-552	-1,310	-3,115	-6,498
Telecommunication	612	2033	-3766	-167	6648	1319	1659	6619	-272	1378	1736	6208	934	2204	662	1399	1699	236	-1603	-1,095	-2,136	-2,942	627	-255	-499	23,992
Total	2405	-26831	-8148	4264	31112	-6657	4618	-16765	-25017	-44	-6785	25730	18731	11959	-14192	20307	22761	22949	-68685	-29954	-23559	1581	14446	-9962	-34895	-45,774

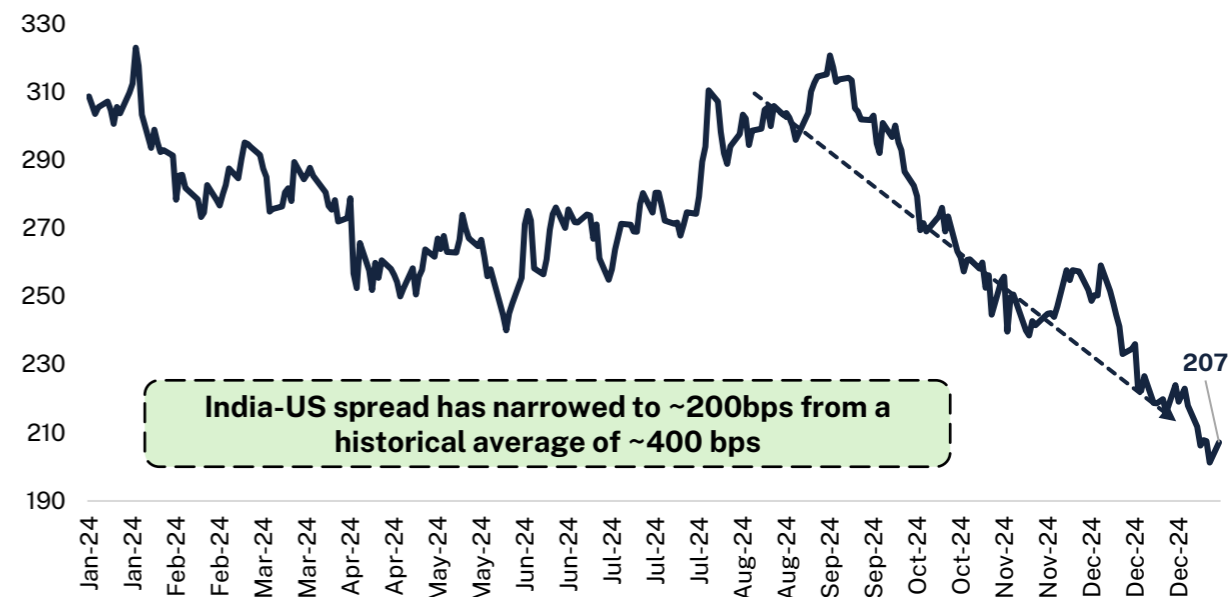
Source: NSDL, SEBI, Bloomberg, Spark PWM
Data as of 15th Jan, 2024

FPI Become Net Sellers as India-US Yield Spread Declines

FII Flows to Indian Debt (in USD Million)



India-US 10 Year Yield Spread



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Source: NSDL, Bloomberg, Spark PWM
*Data till 21st January 2025

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FPI Flows to Cash Markets (in \$ mn) Have Been Negative in Nearly Every Emerging Market Since October 2024

Region	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
India	-3141	483	4016	-1097	-3023	3111	3347	1393	5944	-10428	-2680	1321	-6111
Brazil	-1595	-1904	-1120	-2186	-306	-805	645	1828	-295	-453	-520	147	515
Indonesia	534	646	506	-1141	-881	-92	411	1847	1418	-719	-1063	-313	-189
Malaysia	145	277	-609	-288	314	-13	282	587	110	-413	-699	-637	-519
Philippines	80	129	-46	-412	-174	-104	60	143	346	22	-349	-103	-96
South Korea	2254	6120	3816	1794	-676	3821	1240	-2078	-5727	-3404	-3203	-1530	-456
Taiwan	1416	3390	-93	-4828	2708	1773	-11562	-2519	-2297	1130	-8045	708	-1261
Thailand	-870	82	-1145	108	-455	-950	-47	-170	867	-845	-398	-308	-283
Vietnam	53	-102	-352	-129	-583	-564	-324	-131	-94	-395	-468	-89	-281
Total	-1124	9121	4973	-8179	-3076	6177	-5948	900	272	-15505	-17425	-804	-8681

Source: Bloomberg, Spark PWM

Summary

Trends and Sentiments



Trump's Inauguration: Key Policies and Executive Orders Signed

- **Immigration:** Trump signed a series of orders curbing entry into the country and access to US citizenship, and declared a “national emergency” at the border with Mexico. He has also commanded the US to withdraw from the WHO.
- **External Revenue Service:** Trump refrained from immediately hitting key trading partners with tariffs, but said the US could impose a 25 per cent levy on Canadian and Mexican imports from February 1.
- **Inflation Emergency:** Trump directed departments and agencies “to deliver emergency price relief,” including the cost and supply of housing, lowering health care expenses and eliminate climate policies that drive up energy prices.
- **Offshore Drilling, SPR:** Trump plans to open up more areas to oil and gas exploration, including offshore and in Alaska. Trump also said he plans to refill the US SPR “right to the top” and “export American energy, all over the world.”
- **Renewable Energy:** The administration will end leasing areas for “massive” wind farms that the White House said “degrade our natural landscapes and fail to serve American energy consumers.”
- **EVs:** Trump signed an order to eliminate what he’s called the “electric vehicle mandate” in part by terminating subsidies for the vehicles and terminating state emissions waivers “that function to limit sales of gasoline-powered automobiles.”

FY26 Union Budget: Key Takeaways

- **Fiscal Deficit and CapEx:** FY25 revised fiscal deficit estimated to be 4.8% of GDP and capital expenditure expected to be INR 10.18 lac crore (indicating an approximate 10% decline from budgeted estimates). The government aims to lower its fiscal deficit to GDP ratio even more in the longer-term.
- **Tax and Financial Sector Reforms:** FDI limit for the insurance sector will be raised from 74 to 100%. Moreover, the nil tax slab was raised to INR 12 lacs, meaning people earning up to this amount will be eligible to not pay taxes after accounting for rebate. The Capital Gains tax limit was also raised to INR 12.7 lacs. Lastly, the time-limit to file updated tax returns was extended from the 24 months to 48 months from the end of the relevant assessment year.
- **MSME Classification Revision:** Investment limit for Micro, Small, and Medium Enterprises were revised higher to INR 2.5 Cr, 25 Cr, and 75 Cr from INR 1 Cr, 10 Cr, and 50 Cr, respectively. Moreover, turnover limits for Micro, Small, and Medium Enterprises were revised higher to INR 10 Cr, 100 Cr, and 500 Cr from INR 5 Cr, 50 Cr, and 250 Cr, respectively.
- **Kisan Credit Cards:** To be provided to 7.7 crore farmers with loan limit enhanced to INR 5 lacs.
- **Energy:** Nuclear Energy Mission for research & development of Small Modular Reactors (SMR) with an outlay of INR 20,000 crore will be set up.

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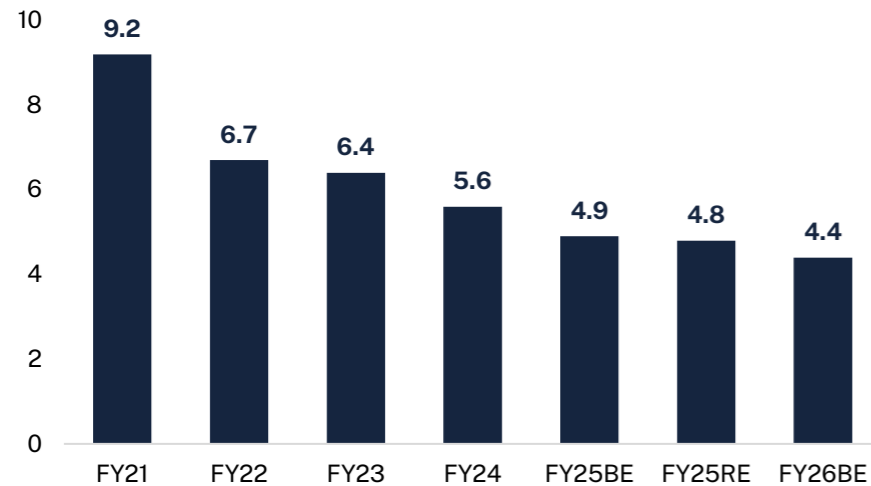
FY26 Union Budget: Key Takeaways

FY26 Union Budget: Key Takeaways

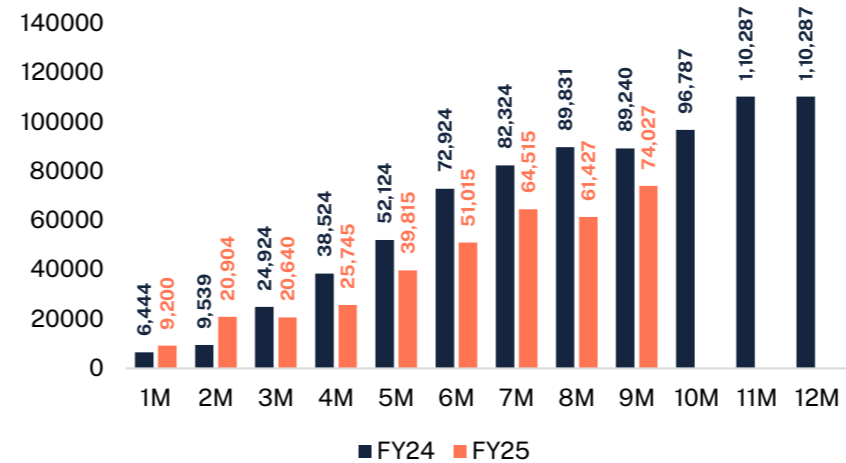
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- 5** **Energy:** Nuclear Energy Mission for research & development of Small Modular Reactors (SMR) with an outlay of INR 20,000 crore will be set up.

FY26 Union Budget: Fiscal Deficit Contraction Looks Achievable with Current Finances

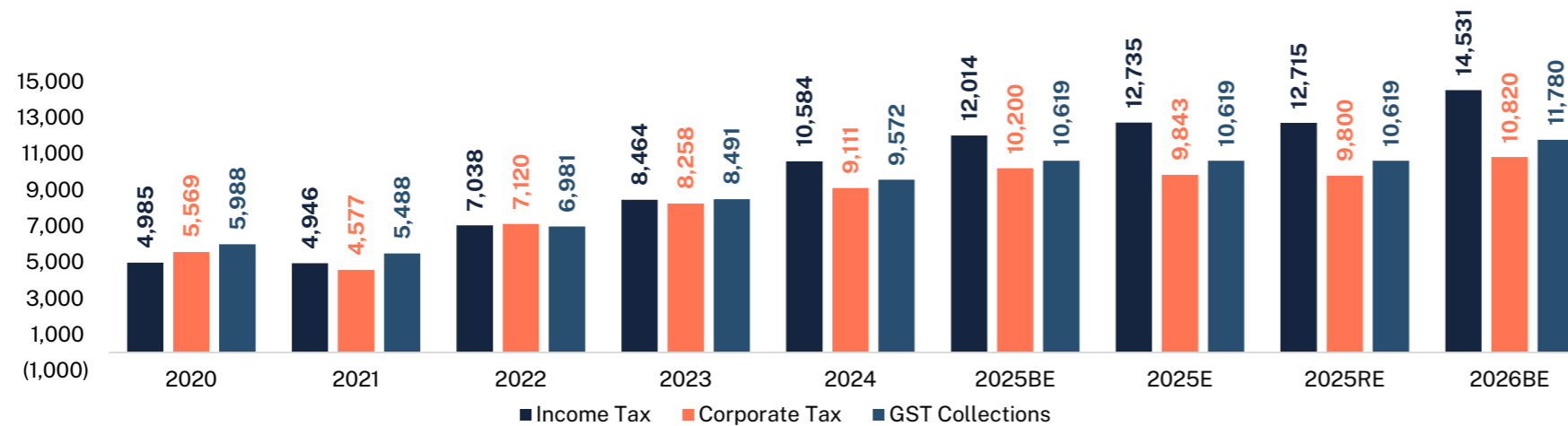
Fiscal Deficit to GDP Expected to Decline to 4.4% of GDP in FY26 & Continue Moderating Thereafter



Gross Market Borrowings in FY25 Expected to be Lower Than FY24 (in INR Crores)



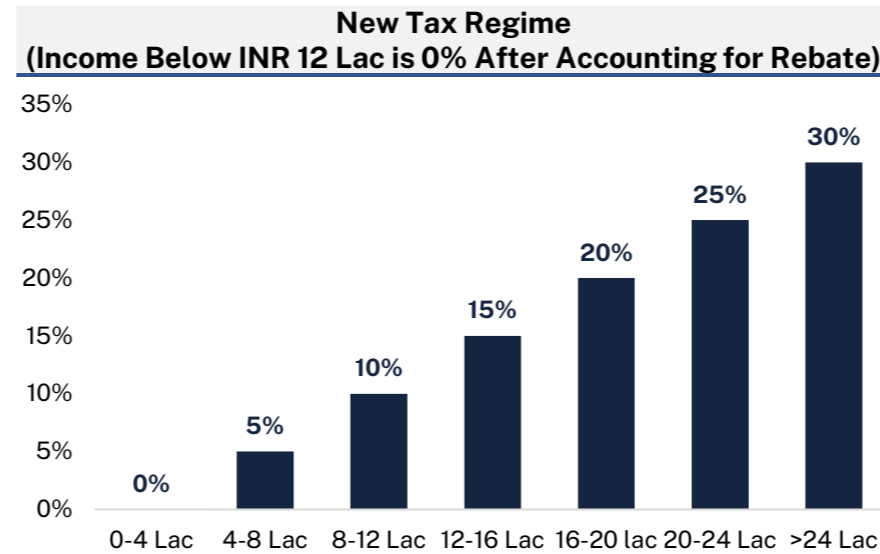
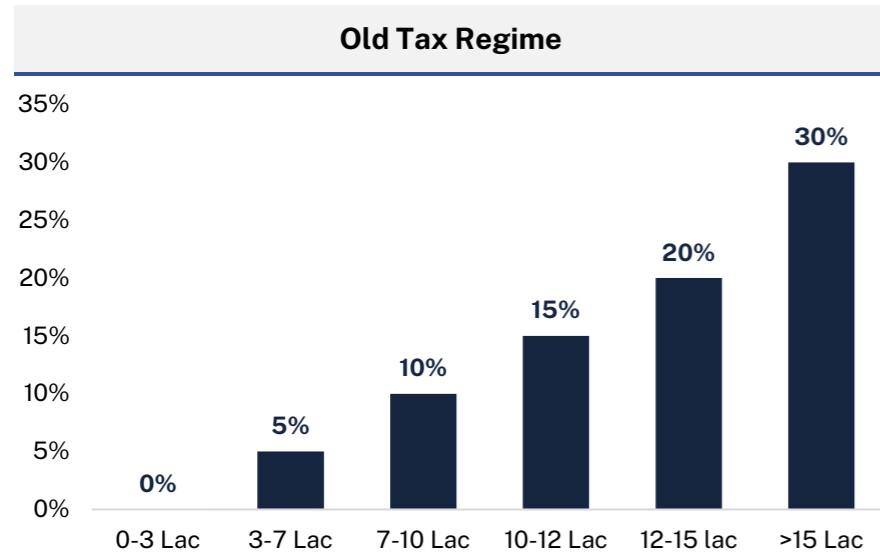
All Sources of Revenue Receipts Expected to be Higher in FY26 (in INR Billions)



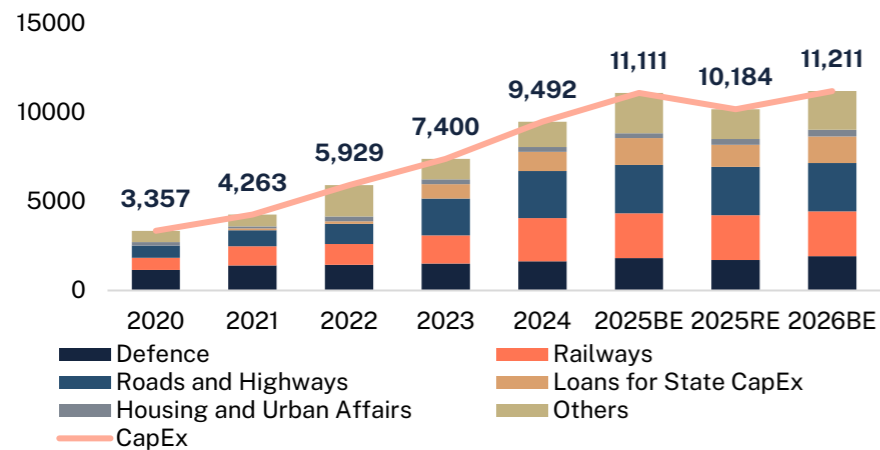
- The proposed numbers seem broadly reasonable. Since gross market borrowings are expected to be lower in FY25 relative to FY26, moderation in the Fiscal Deficit to GDP ratio is possible.
- Moreover, FY26 gross market borrowings are expected to be INR 14.82 Lakh Crores. Since a majority of this amount will be offset by debt that is set to mature in FY26, net borrowings are expected to be closer to 0, which is positive for India's fiscal health.
- An increase in government revenue receipts from personal income, corporate, and GST tax collections suggests that the FY26 proposed CapEx figures is also broadly achievable.

Source: Bloomberg, RBI, Spark PWM

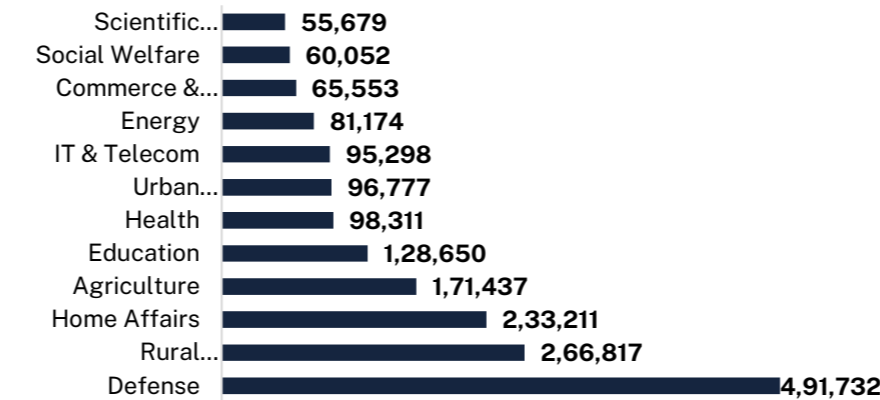
FY26 Union Budget: Shifting Focus to Consumption From CapEx Driven Growth



CapEx in FY26 Expected to be Similar to FY25 Budget Estimates



Defense and Rural Expected to Receive Majority of Expenditure in FY26



- India's growth story has been CapEx dependent since 2020 as vast year-on-year increases allowed for infrastructure development and modernization.
- However, this year's budget suggests FY26 CapEx figures will be broadly in-line with the proposed figures for FY25. Moreover, since the government also stated that FY25 CapEx figures will likely be below its initially estimated figures. Since there is no significant change to CapEx, a new avenue for growth has been proposed: consumption.
- The government aims to boost consumption by lowering tax rates across revised income brackets. This should lead to a long-term pick up in domestic demand.

Source: Bloomberg, RBI, Spark PWM

FY26 Union Budget: Expected Impact on Equities and Fixed Income

Equities: The new budget is expected to shift India's growth story narrative from being CapEx driven to being consumption led.

Fixed Income: The government is committed to stay on course of the fiscal consolidation path such that Central Government debt is on a declining path to attain a debt to GDP level of about 50±1% by 31st March 2031. As such, there should be no significant impact on yields.

Sector	Equities
Power	<ul style="list-style-type: none"> 100 GW of nuclear energy by 2047. INR 20K Cr towards R&D in Small Modular Reactors. RLDS – To improve financial health of Discoms and power companies. Solar – Increase in allocation for PM Surya Ghar Muft Bijli Yojana. Augmentation of interstate transmission capacity by states.
Consumption	<ul style="list-style-type: none"> Reduction in income tax burden.
Infrastructure	<ul style="list-style-type: none"> Approximately 67% of FY26BE CapEx of INR 11.2 Lakh Crores to be deployed for roads, highways railways and defense.
Agriculture	<ul style="list-style-type: none"> Loan limit under modified interest subvention will be enhanced from INR 3 Lakhs to INR 5 Lakhs through KCC. Support for cotton, pulses, and dairy production.
Electronics (EMS)	<ul style="list-style-type: none"> Reduction in customs duties on electronic components.
Telecomm	<ul style="list-style-type: none"> Broadband connectivity to government secondary schools and PHCs
Aviation & Tourism	<ul style="list-style-type: none"> Modified Udaan Scheme will be launched to connect 120 destinations and carry 4 Crore more passengers in the next 10 years. Top 50 tourist destinations will also be developed.
Battery Manufacturing & Recycling	<ul style="list-style-type: none"> Full exemption of custom duty in cobalt powder and waste, scrap of lithium-ion, zinc, and other minerals. Exemption of custom duty on capital goods for manufacturing of lithium-ion batteries.
Asset	Fixed Income
G-Secs	<ul style="list-style-type: none"> The government is committed to stay on course of the fiscal consolidation path. Gross market borrowing at Rs 14.82 lac cr is a tad higher than market expectations, but we do not see any significant impact on the bond yields. From a medium-term perspective, we see the government is moving from the fiscal deficit target to the center debt to GDP target. Currently center debt is around 56% and this should be around 50 +/-1% in the next 5 years. We believe that the budget was both credible and realistic and now the next action will be awaited from the central bank in its upcoming monetary policy meeting.

Source: Bloomberg, Spark PWM



01 EXTERNAL INFLUENCE

- **US:** The economy remains stable, supporting a soft-landing scenario. Consumption continues to show improvement despite rising borrowing costs, while the labor market stays resilient. Fed Chair Powell has shifted to a neutral policy stance, indicating fewer rate cuts in 2025.
- **Europe:** Core economies continue to struggle. Euro Area economic growth is expected to be tepid as core economies are expected to be laggards and peripheries are expected to do marginally better.
- **China:** A recent equity rally has corrected as announcements of fiscal spending lacked specifics. Growth relies on trade surplus, which faces risks from US tariffs, prompting a neutral stance despite improved industrial activity and consumption.

02 LOCAL STORY

- Government capex is picking up, but unlikely to meet its budgeted forecasts. Tax revenues are robust, with corporate and personal income tax collections rising 0.50% and 24.00% YoY, respectively, in 8MFY25.
- Economic activity improved in December after remaining broadly stable in November, with industrial production recovering to 5.2% YoY and GST collections growing 7.3% YoY.
- Banking system liquidity remains in deficit territory as RBI's intervention in FX markets continues and the moderation in credit and deposit growth spreads reversed a bit. However, the recent revision of import and trade balance figures for each month in FY25 suggests some pressure should be alleviated from CAD.

03 INFLATION & RATES

- The Fed held rates steady in January 2025 and continues to signal only 50 bps of easing in 2025 as opposed to 100 bps forecasted in September. A survey of FOMC members showed that most believe risks to inflation have shifted from broadly balanced to weighted to the upside. However, markets are pricing in only 1 quarter-point rate cut in 2025, and another 2026 as strong economic data weakens the case to support more rate cuts.
- India's December CPI rose to 5.22% YoY, though core inflation remains within RBI's target. Markets anticipate an RBI rate cut in February 2025 as food prices and overall inflation showed its 2nd consecutive MoM decline.

04 VALUATION & EARNING

- Valuations are near historical averages for large caps, but still above average for mid and small caps. Nifty 50 EPS expected to grow 15.4% by FY26, driven by a potential 4QFY25 recovery. Based on 1Y BF estimates of sector-specific fundamentals it appears that auto and bank stocks have become relatively cheap.

05 ALLOCATION OF CAPITAL

- FPIs were net sellers of Indian equities in January 2025. Selling were primarily concentrated in power, consumer services, and capital goods. Domestic buying and SIP inflows continue to remain robust. Indian bonds remained stable despite rising US yields, supported by favorable demand-supply dynamics and expectations of lower inflation. FPI investments in bonds were also negative in January 2025, however, it is evident that FPI selling is a common theme across all emerging markets since October 2024.

06 TRENDS & SENTIMENTS

- **Trump's Inauguration Policies:** Trump implemented executive orders on immigration, border security, and energy, including withdrawing from the WHO, imposing tariffs on Canada and Mexico, and removing subsidies for electric vehicles while promoting oil and gas exploration.
- **FY26 Union Budget Highlights:** The budget includes revisions to MSME investment and turnover limits, expansion of Kisan Credit Cards, a focus on nuclear energy development, increased capex and borrowings, and significant tax reforms, such as raising the nil tax slab to INR 12 lacs and increasing FDI in insurance.



India Equities Earnings Outlook

- We estimate that NIFTY 50 will deliver **earnings growth of 15.4%** over CY24-26E.
- Domestic liquidity chasing Indian equities have led to asset getting re-priced in the near term. The valuations do not appear euphoric but remain marginally above the fair valuations.
- On the risk adjusted return based on the 'ELIVATE' framework, we continue to maintain our equal weight stance on equities. We will try to mitigate the correction risk by increasing allocation to large-cap and participating through lower beta products and fund managers.
- On a sectoral basis, we are OW on Banks, Auto, Utilities, Metals and Infra (through Cement, Building Materials)

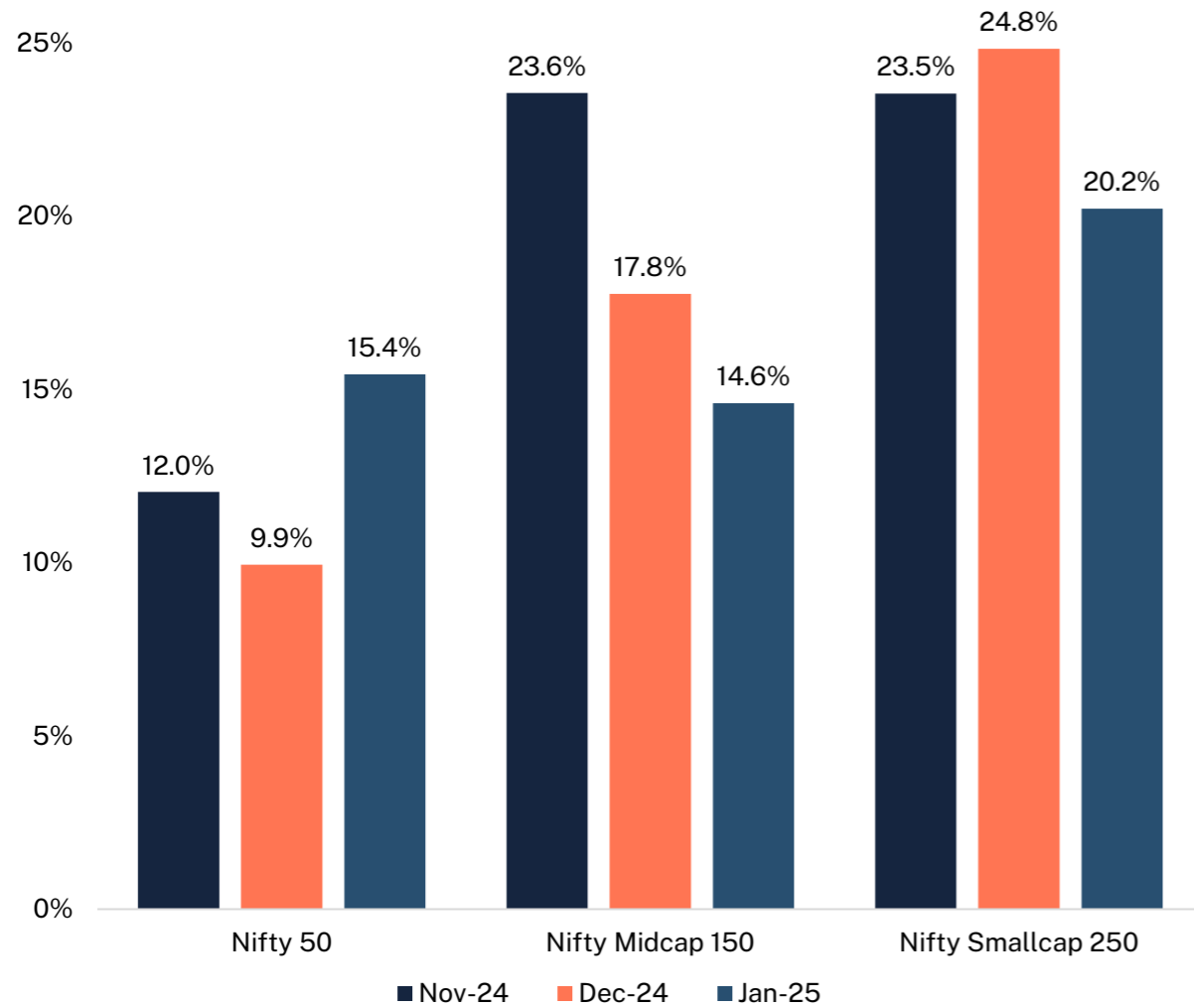


India Fixed Income Outlook

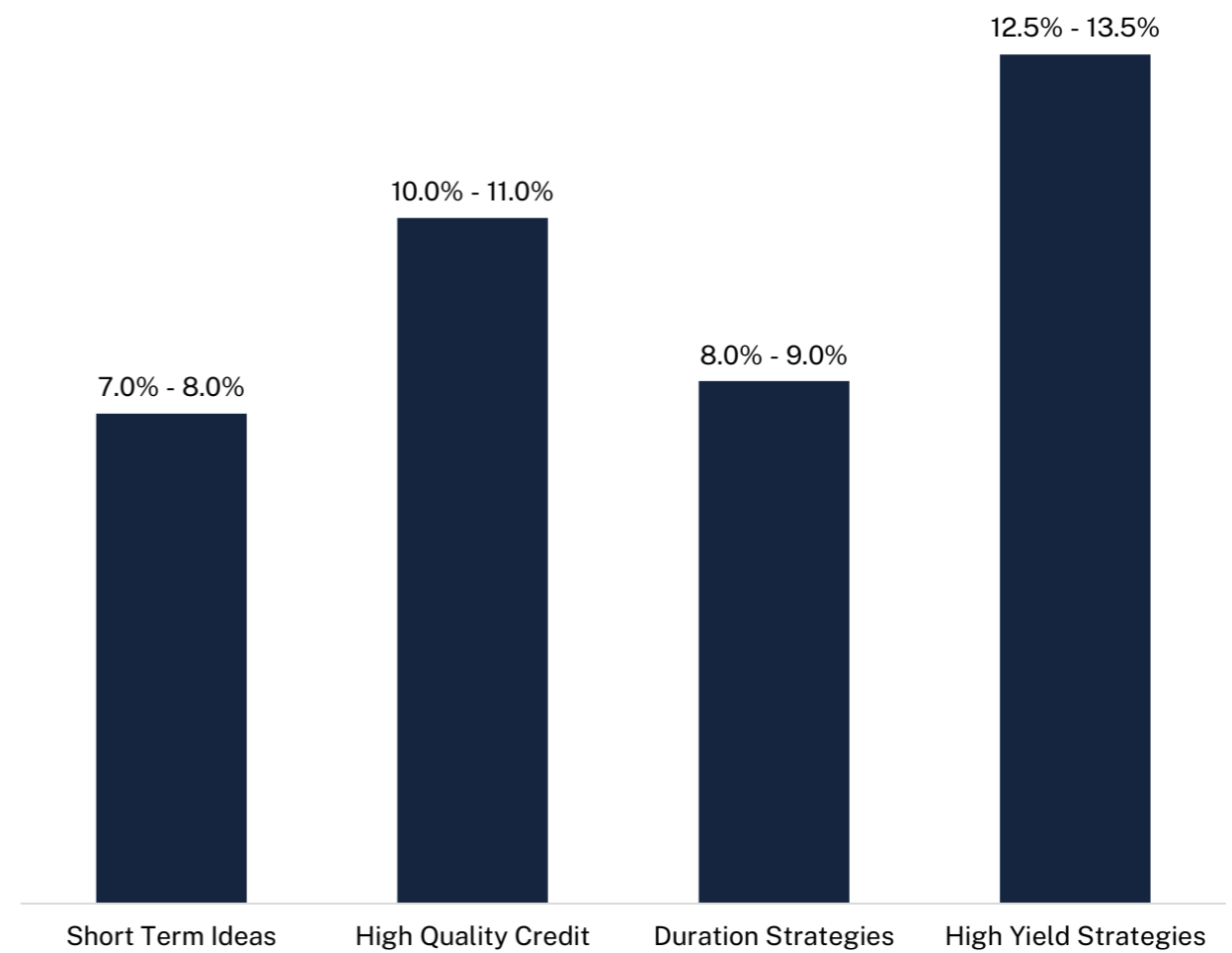
- The inclusion of Indian bonds in global indices, alongside it being one of the best major macroeconomic stories in the world, is expected to drive substantial investment flows over the next few years.
- Banking liquidity moved to surplus due to the dividend by RBI and FPI flows over last two months. To neutralize the surplus liquidity, RBI conducted OMO and VRRR sales.
- We continue to remain constructive on rates due to positive demand supply dynamics and lower inflation.
- Investors should continue to build a mix of Carry and Duration in their portfolios.

Expected Return & Asset Allocation

Index Expected Earnings (CY24-26E %)



Debt Yield Expectations



Source: Bloomberg, Spark PWM

Summary

India Fixed Income



Key Focus Points and Portfolio Actions – Strike a balance between “Carry” and “Duration”

Carry Opportunity

- Corporate Bonds offer attractive carry opportunity plus additional capital gains as the inverted yield curve normalizes
- Carry Opportunity in Money market instruments as banking system liquidity is expected to remain in neutral to deficit zone in Q4 FY25

Neutral on Duration

- Sharp rise in US yields and strengthening US dollar have limited RBI's ability to cut rates despite relatively better conditions domestically
- **We suggest focusing on Carry and adding Duration selectively as and when yields spike using the longer tenor G-Secs or Mutual Funds.**

Positive on REITs

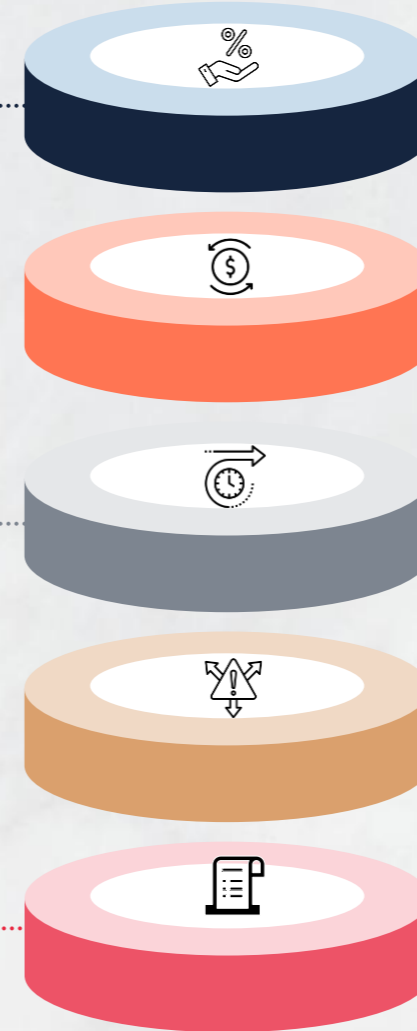
- Historically, REITs have had an inverse correlation with interest rate hikes majority of the time.

Domestic factors favourable for yields

- Bond yields should continue to take cues from stable demand and supply environment for Govt securities, controlled fiscal deficit, neutral monetary stance on the back of moderating GDP growth
- FPI flows turned negative in January'25 as yields spiked in US and inched closer to ~5% mark. India sovereign bonds inclusion in JP Morgan EM bond index, Bloomberg index and FTSE Russel EM Govt Bond Index should continue to attract foreign flows and put lower pressure on yields going forward

Risk-reward in Credit Space

- Spreads in the 3 year AA & A rated space trade higher than 10 year average.
- **A “Carry” trade in the 3Y maturity using quality credit papers appears attractive.**



Debt Portfolio Construction

Category	Product Ideas	Indicative Allocation	Indicative Yield
Liquidity Bucket: Upto 12 Months		30%	
Arbitrage MF	Bandhan/Edelweiss Arbitrage		7.10% - 7.40%
Money Market Fund	ICICI Pru / Bandhan Money Market Fund		7.45% - 7.60%
Liquid Plus AIF	Northern Arc Money Market Alpha Fund		9.00%*
Absolute Return AIF	Alpha Alternatives – Multi-Strategy Absolute Return Fund (MSAR)		10.5% to 11.5%^
Commercial Papers	ICICI Securities – 6M [ICRA A1+]		7.50%
HTM Bucket: 12-36 Months		45%	
Corporate FDs	Bajaj Finance [CRISIL FAAA] /Shriram Finance [CRISIL FAAA] 36M		8.05%9.50%
High Quality Bonds (AA & above)	Shriram Finance – Avg Maturity 2Y - [CRISIL AA+]		8.70%
	Muthoot Finance - Avg Mat 2. 5 Years - [CRISIL AA+]		8.30%
	State Bank of India – Call Date Dec 2026		8.00%
Curated NCD	Secured, Rated, Listed Krazybee CRISIL A- /Indel Money Ltd. NCD [CRISIL BBB+ Stable]		11.25%/12.00%
Equity Linked MLD	Nuvama – All Weather Equity linked MLD 39 Months		Max Coupon 47.55%
Corporate Bond Fund	ICICI Pru / HDFC Corporate Bond Fund		7.5% - 7.7%
Income Plus Arbitrage FoF	Bandhan Income Plus Arbitrage FoF		7.25%-7.40%
Hybrid Funds	ICICI Pru / Mirae Asset Equity Savings Fund		7.0% - 11.0%
	Tata / ICICI Pru Balance Advantage Fund		10.0% - 14.0%
	White Oak / ICICI Pru Multi-Asset Fund		10.0% - 14.0%
Duration/Yield Enhancer Strategies: > 36 Months		25%	
REITs	Mindspace REIT		6% Pre-tax dividend yield + 5% upside to NAV**
Credit AIF	SpECS Fund III		13.50%*
	Neo Income Plus Fund – CRISIL AA- (SO)		12.95%*
	Sundaram Performing Credit Opportunities Fund – CARE AA+ (SO)		13.00%*
	Northern Arc Finserv Fund		12.20%*
Real Asset AIF	ICICI Prudential Office Yield Optimiser Fund		13.00%*
	Neo Infra Income Opportunities Fund		16%*

*Indicative yields of funds is post expense

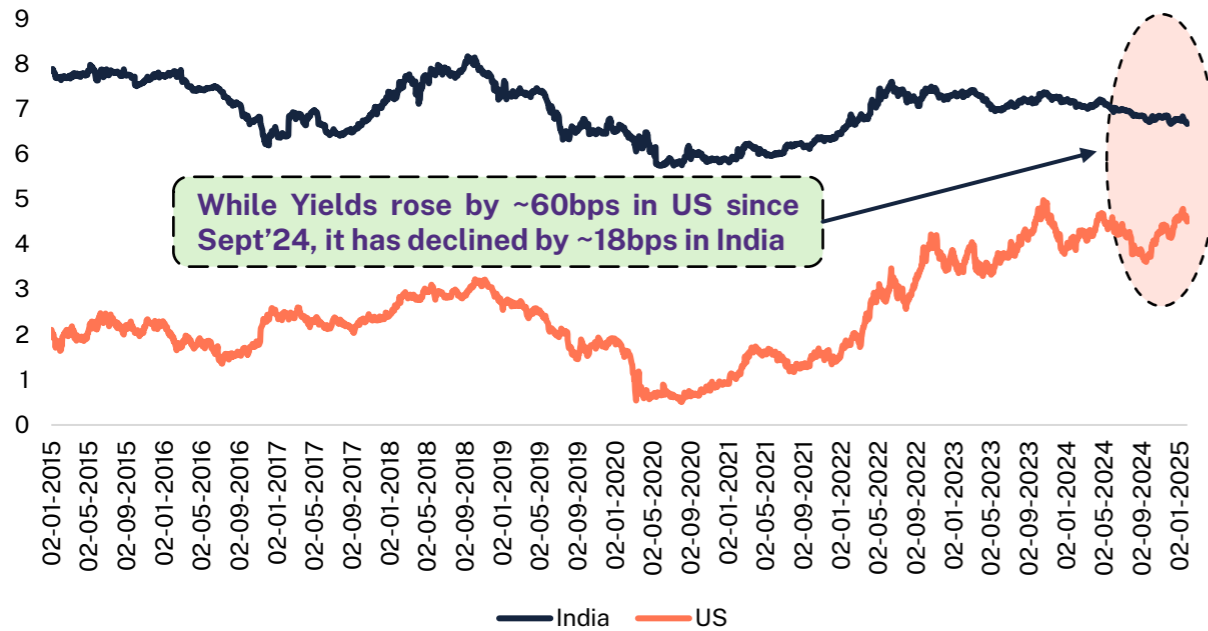
^Targeted post-expense return of the fund

Hybrid MFs suggested are Equity oriented hybrid funds, taxed at 12.5%+ after holding of 1 year

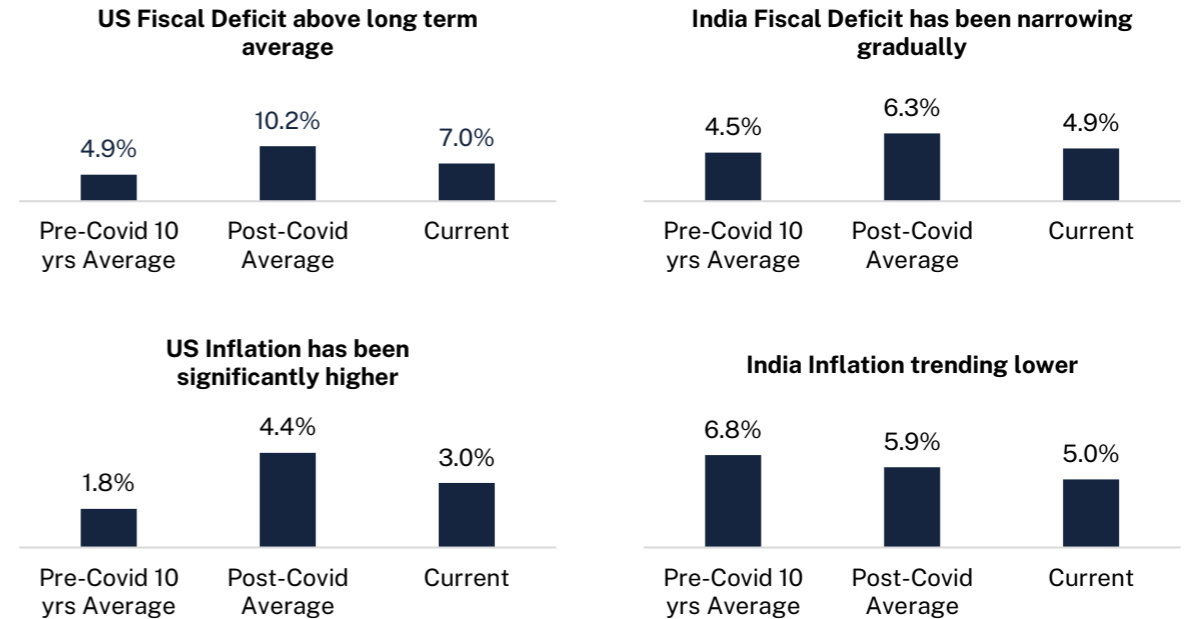
**As per Avendus Spark report at CMP as of 30th June 2024, Mindspace REIT offers 1-year forward pre-tax dividend yield of 6% and 5% upside of NAV. (NAV of Rs 380.5 as of 31st March 2024).

India and US Bond Yield Move in Contrasting Direction

India vs US 10-year G-sec Yield movement



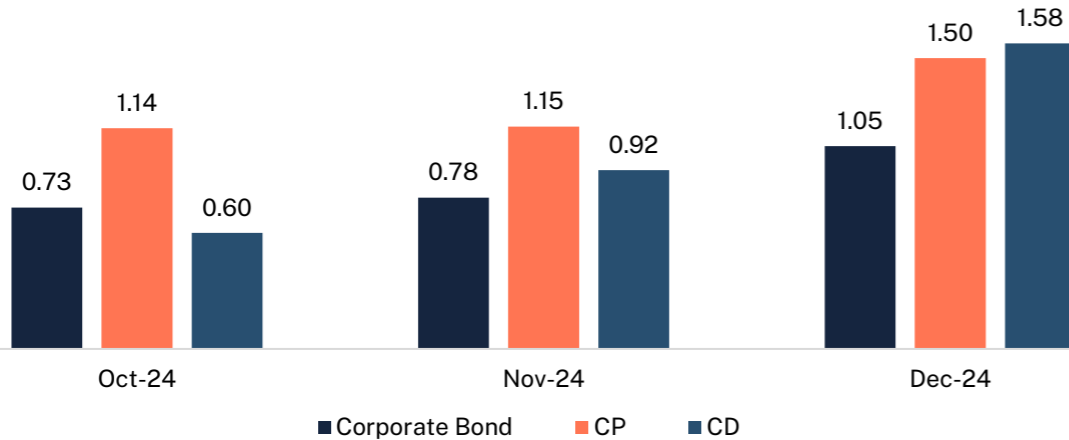
Differing Macro Dynamics between US and India



- The relationship between US and India bond yields appear to be broken in the near term on the back of differing Macro dynamics
- Yields in the US have risen by ~60 bps since Sept'24 despite Fed rate cuts and touched a high of 4.79% in Jan'24 largely because of strengthening US economy, trump policies on Tariffs, tax rate cuts, deportation and geopolitical environment
- While Sharp rise in US yields have caused volatility in domestic yields, India 10-year benchmark yields declined by 18 bps in the same period owing to controlled fiscal deficit, domestic inflation, demand-supply dynamics and active intervention by RBI

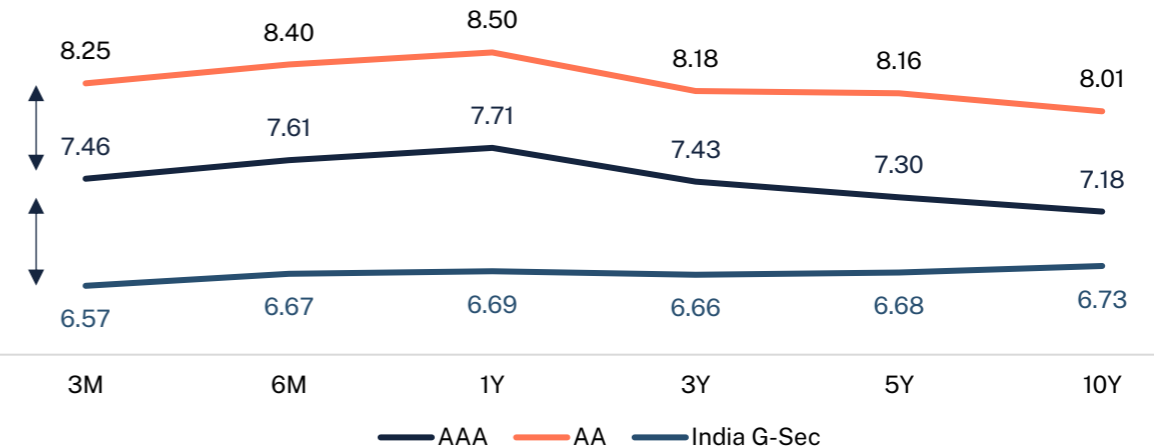
Shorter End of Yield Curve Offers Attractive Carry Opportunity

Corporate Bond, CP and CD issuance rise sharply in Dec'24



- Corporate bond issuance rose to a 3-month high at 1.05 lakh crore as issuers rushed to lock in funding ahead of the anticipated spike in SDL supply in Q4
- States and union territories are expected to borrow Rs 4.75 lakh crore through SDL in the Q4 FY25 which could lead to spike in yields

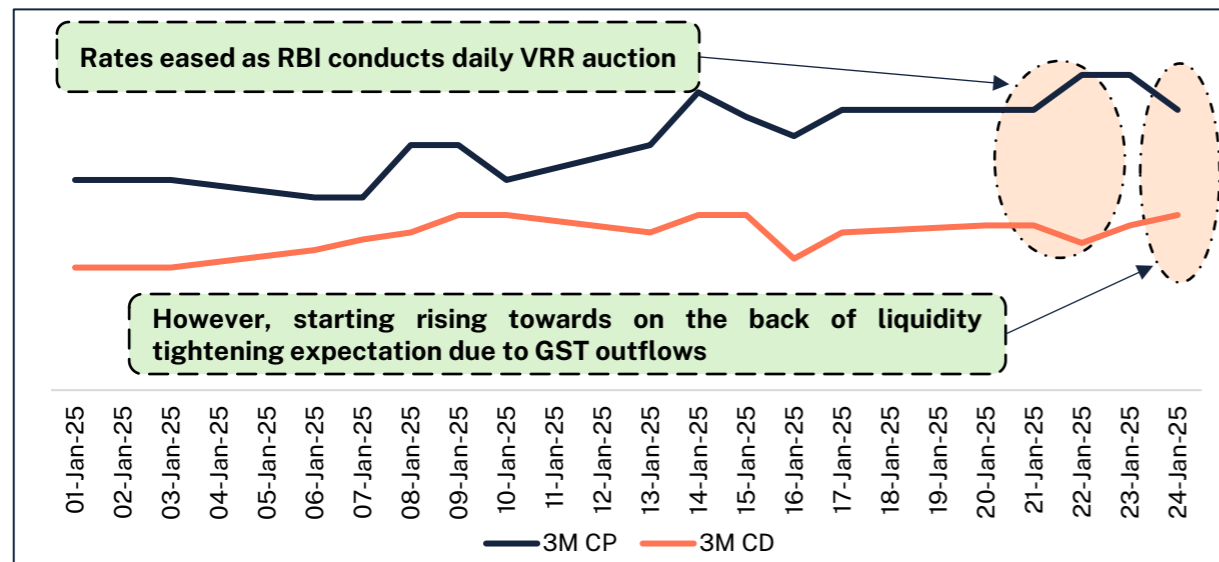
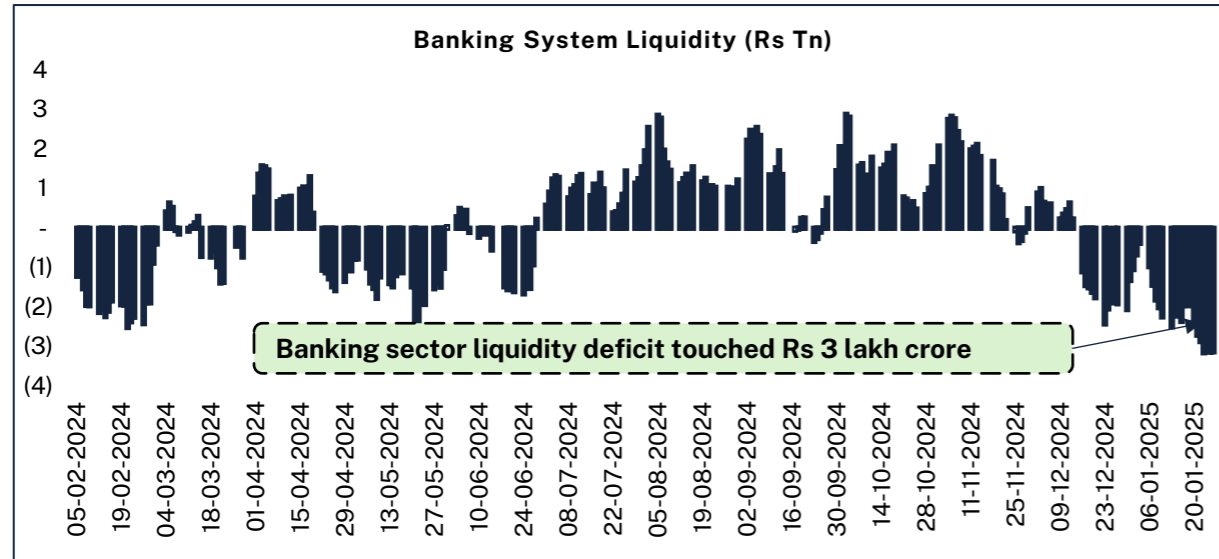
Yield Curve across Credit rating



- G-sec yields declined towards end of January owing to buyback of govt. bonds by RBI and US President Trump's call for lower interest rates
- The corporate bond curve continues to remain inverted with shorter end of the curve offering a decent spread over G sec yield

- Bond yields are expected to remain volatile in the near-term basis which Investors can selectively add duration as and when yields spike using the longer tenor G-Secs or Mutual Funds
- Corporate bonds offer attractive carry opportunities with sweet spot around ~2-3 years of maturity as it offers possibility of capital gains as yield curve normalizes in addition to attractive carry

Negative Banking System Liquidity Puts Upward Pressure on Money Market Yields



- System liquidity closed with a deficit of ~Rs 3lakh Cr on 24th Jan. which is ~1.6% of NDTL on the back of G-sec auction outflows and FX intervention by RBI. Notably, Core liquidity touched negative territory for the first time since March 2019
- To tackle liquidity issue, RBI had cut CRR by 50 bps in December infusing 1.16 lakh crore
- In January, RBI announced slew of measures to further infuse liquidity
 - Conduct daily variable repo rate (VRR) auctions on all working days
 - Rs 60,000 crore of open market operation of purchasing government securities in three tranches
 - Conduct 56-day variable rate repo auction for Rs 50,000 crore
- While these measures will help in solving the immediate liquidity tightness, more substantial actions are required to address any deficit in durable liquidity

Impact on yields

- 3-month CP and CD rate touched a high of 7.95% and 7.60% respectively in January from 7.6% and 7.28% in December.
- While CP & CD rates eased after these announcement, it was again back to 7.9% and 7.6% levels respectively
- Money Market Yield continues to be attractive on the back of tightness in banking system liquidity

Global Dynamics & Investment Strategy: Navigating US Exceptionalism

01

GLOBAL BACKDROP

US Exceptionalism remains strong, driven by:

- Strong economic momentum (resilient labor market, stable payroll growth) converging with Trump-related market expectations (proposed lower corporate taxes, import tariffs and uptick in govt. spending) leading to sustained rise in bond yields and US dollar.
- Policy Divergence: Fed remains steady (market expecting one rate cut) while ECB is expected to ease, emphasizing global economic disparities.

02

EMERGING MARKETS DYNAMICS

Varied impact of US strength across EMs:

- EMs domestic policy become hostage to US developments restraining their ability to respond to local conditions.
- India: Maintains some policy autonomy but faces challenges in addressing the growth slowdown.

03

INDIA POLICY OUTLOOK

Monetary Policy:

- Rise in UST yields along with heightened geopolitical concerns, have prompted FPIs to withdraw funds from Indian markets, putting downward pressure on the rupee's value
- RBI's forex interventions strain liquidity. FX Reserves decline by \$21.6bn FYTD25
- Shallow rate cut cycle (~75 bps) expected due to limited repo rate room and growth-inflation dynamics.

04

PORTFOLIO RECOMMENDATIONS

Investment focus should prioritize:

- We suggest focusing on Carry and selectively adding Duration as and when yields spike using the longer tenor G-Secs or Mutual Funds.
- Front-end corporate bonds, particularly 1-year bank CDs, offer attractive carry with sufficient valuation cushion, while credit risk strategies should focus on spread over AAA rather than absolute yields.

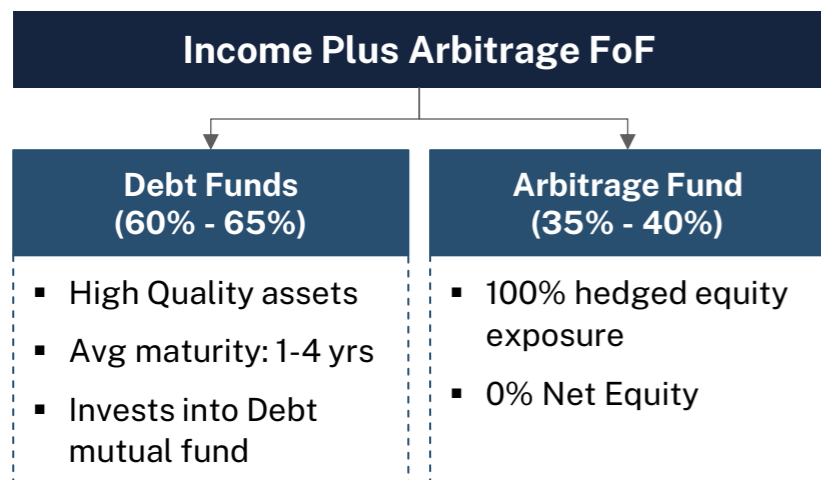
Fixed Income Landscape

Type of Instruments		Gsec	AAA rated Bonds	AA- rated MLDs	A+ / A Debt PMS	Direct Bonds				Northern Arc Finserv Fund	Other Private Credit Funds			Real Asset Funds
						AA- rated NCDs	A+ rated NCDs	A rated NCDs	A- rated NCDs		Target IRR < 14%	Target IRR 14% - 16%	Target IRR > 16%	Target IRR > 16%
Post Expense Pre Tax Yield / YTM		6.72%	7.70%	11.0%	10.80%	9.30%	10.4%	10.8%	11.2%	12.2%	11.5%	11.9%	13.6%	14.8%
Post Tax	Individual	4.10%	4.70%	6.71%	6.59%	5.68%	6.35%	6.59%	6.84%	7.46%	7.03%	7.30%	8.30%	12.50%
	Corporate	5.03%	5.76%	8.23%	8.08%	6.96%	7.78%	8.08%	8.38%	9.18%	8.65%	8.95%	10.2%	12.5%
Positioning		Exposure to duration through Gsec can lead to cap gains	High Quality Credit; Liquid; For Treasury and FO	Debt substitute MLD generating alpha of 50 bps in the rating band	Curated portfolio of 5 – 8 issuers with wtd avg rating of A+	Rated, Listed, Senior secured, Curated High yield NCDs with Quarterly or Monthly interest payout options				Diversified; Regulated; Rated Underlying; Quarterly payouts; 85% of portfolio is BBB and above	Performing Credit funds with regular coupon paying and back-ended structures * SPECS being the only fund paying out regular quarterly interest			Operating cash flow generating assets with Nil execution risk
Ideal Holding Period		24 - 36 M	36 M	HTM	24 - 36 M	18 - 24 M				48 M	48 - 60 M			60 - 72 M

Tax rate considered for Individual with Income > 5 Crore and For Corporate with highest tax slab, as per Finance Bill 2024
Yields are indicative in nature and are subject to change.

Hybrid MF: Income Plus Arbitrage FoF

Exposure to Debt Mutual Fund with lower taxation; holding period > 24 months



- FoF with debt allocation less than 65% attracts LTCG @ 12.5% post holding period of 24 months.
- Fund offers a tax-advantaged alternative to traditional debt mutual funds by combining debt mutual funds with arbitrage funds. This makes it an attractive option for investors seeking tax-efficient debt investments.
- The investments in arbitrage fund is expected to provide relatively steady returns, even during periods of interest rate volatility.
- FoF allows fund manager to navigate market conditions with investors taxed only during redemption.
- Ideal for conservative investors seeking pure debt exposure over a 2-year or longer time frame, without any equity market risk

Features	Debt Fund	Arbitrage Fund	Income Plus Arbitrage FoF
Flexibility In Asset Allocation	Limited To Debt Allocation Only	65% into hedged Equity 35% into Debt instruments	Invests In Mix Of Debt Oriented Mutual Fund Schemes & Equity Arbitrage Mutual Fund Scheme
Operational Convenience	Single Transaction, Single Scheme	Single Transaction, Single Scheme	Single Transaction, Multiple Schemes
Key Factors In Fund Selection	Investor Takes The Call	Investor Takes The Call	(Expert Professional) Fund Manager Takes The Call
Taxation On Switch	Strategy Changes Result In Tax On Switches Every Time	Strategy Changes Result In Tax On Switches Every Time	No Tax Liability When Changing Investment Positioning
Tax Rate	Marginal Taxation	STCG (<12 months): 20% LTCG (>12 months): 12.5%	>24 months: 12.50% <24 months: Marginal Taxation

Taxation as per Finance Bill 2025

Bandhan Income Plus Arbitrage FoF

Fund Details

Fund manager: Harshal Joshi

Strategy's Inception Date*: 28-Jan-2025

Taxation: 12.5% post holding of 24 months

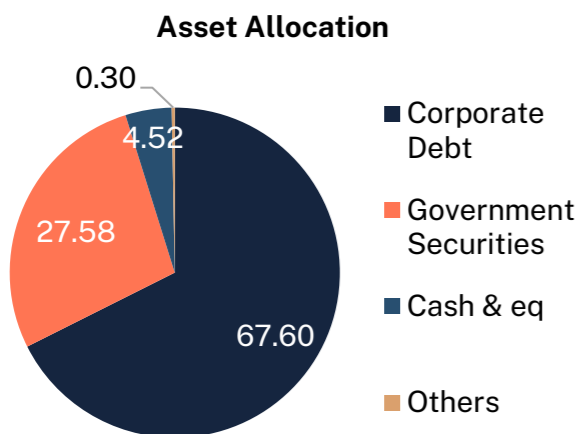
Investment Philosophy & Strategy

- ~65% allocation to Bandhan Corporate Bond Fund and ~35% allocation to Bandhan Arbitrage Fund
- Bandhan Corporate Bond Fund is an actively managed debt fund that maintains an average maturity ranging between 1 to 4 years, high quality portfolio of 100% SOV / AAA securities
- The equity portion of the Bandhan Arbitrage Fund is 100% hedged, debt portion has an average maturity of 6 to 12 months

Track Record of Underlying Funds

Performance (%)	1M	3M	6M	1Y	2Y
Bandhan Corporate Bond Fund	7.52	6.8	7.7	7.7	7.3
Bandhan Arbitrage Fund	7.9	7.09	6.97	7.33	7.47

Bandhan Corporate Bond Fund – Portfolio Quants

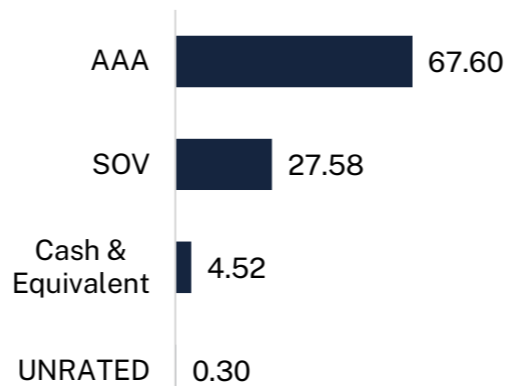


YTM (%) 7.33

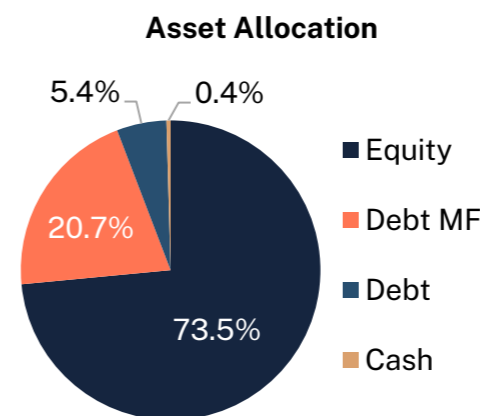
Average maturity (years) 4.0

Modified duration (years) 3.05

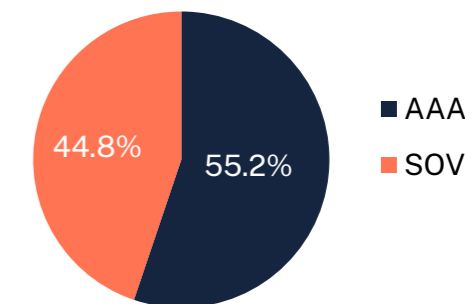
Rating Allocation



Bandhan Arbitrage Fund



Rating Allocation



Source: ACE MF.

Returns as on 3rd February 2025; Portfolio details as on 31st December 2024

Past track record are not an indicator of future performance

* Change in strategy of Bandhan All Seasons Bond Fund to Bandhan Income Plus Arbitrage Fund

Credit AIF: Sundaram Performing Credit Opportunities Fund (PCOF) – CARE AA+ SO

Product Overview	
Category	Category II AIF
Target Corpus	INR 1500 Cr + 500 Cr greenshoe
Min Investments	INR 1 Cr
Management Fees	Up to 1.85% p.a.
Targeted Yield (Gross)	15% - 16% IRR (Pre-taxes and Pre-expenses)
Distribution	Quarterly distribution of 2.0-2.5%
Tenure	5 years + 2 years
Operating Expense	At actuals, up to 0.25% p.a.
Sponsors	Sundaram Finance
Sponsor Commitment	Up to 15%* of aggregate capital commitment

Highlights of Sundaram PCOF - I
<ul style="list-style-type: none"> The fund aims to invest in high yielding debentures (including equity warrants) to MSME / SME / Fintech / Manufacturing / Services companies backed by a combination of business cash flows, promoter assets, guarantees, share pledges and other security structures Portfolio of ~12 – 15 investments over fund life Quarterly distribution of cash coupon, capital distributions after 4th year Sector/Geography: <ul style="list-style-type: none"> Focus on 'core sectors' with group synergies 'Growth' focus on MSME/SME, bridge funding to larger companies Pan India Focus on urban and major cities Single investment concentration limit: 10-15%** Single Industry Concentration limit: 25%** Balance between short-term quick churn & HTM to maximize portfolio returns

Past Funds Managed
No. Of Funds: 5 (1 has matured, 4 are deployed)
AUM Garnered: ~INR 3,150 Cr
Portfolio IRR (Gross): ~15.2% (Matured Funds)
Portfolio IRR (Gross): ~17% (Deployed Funds)
Fund Manager Details
<p>Vaatsal Tandon Fund Manager, PCOF-I Fund</p> <p>Work Experience 12+ years</p> <p>Previous Stints JM Financial, ARKA Fincap Ltd</p>

*Subject to Sundaram Finance Board Approvals

**Additional concentration limit of 5% in one-off situations with higher thresholds of approval

Credit AIF: Neo Income Plus Fund - CRISIL AA- SO

Product Overview

Fund	Neo Income Plus Fund
Category	Category II AIF
Structure	Close Ended
Target Corpus	INR 700 Cr
Min Investments	INR 1 Cr
Management Fees	1.5% - 1.75% per annum fixed
Targeted Yield (Gross)	~15 - 16% pa (Pre-taxes and Pre-expenses)
Tenure	4 years from first close
Deployment	1 year deployment period
Return Profile	Interest Income
Investment Manager	Neo Asset Management Private Limited
Sponsor Commitment	~6% of fund size absorbs potential losses
Current Investments	4 deals

Highlights of the Fund

- The fund aims to provide flexible capital for various purposes such as last-mile funding, holdco level funding, capex equity, non-dilutive capital for acquisitions, bridge financing, and PE takeout.
- Fund focuses on short-tenor trades (2-4 years) and offers regular income distribution (approximately 1% monthly, payable every 2-3 months).
- **CRISIL AA- Rating** is backed by Neo's 6% sponsor commitment which acts as a first protection against capital loss.
- The scheme is expected to invest a minimum of 65% in entities rated 'BBB-' or higher, including a minimum of 30% in instruments rated 'BBB+' or higher.
- Minimum 12 investments, Sector cap of max 30%
- Avoid sectors like Early-stage companies, Real estate, cyclical industries, distressed calls

Past Fund: Neo Special Credit Oppo Fund Details

Final Close: **May 2024**

AUM Garnered: **~INR 2575 Crs**

Partly deployed

12 Investments made

Avg Ticket Size: **INR 100-200 Crs**

Expected Returns **IRR: 18-20% (Gross)**

Fund Manager Details

Ashutosh Ojha

Fund Manager

Work Experience

19+ years of experience of investing across Mutual Fund and Performing Credit Fund, Zero default track record, ~8000 Cr Funds deployed

Previous Stints

Edelweiss Alternates, Edelweiss MF

Credit AIF: Northern Arc Finserv Fund

Product Overview	
Fund	Northern Arc Finserv Fund
Category	Category II AIF
Target Corpus	INR 1000 Cr + 500 Cr greenshoe
Min Investments	INR 1 Cr
Management Fees	Upto 1.75% p.a.
Targeted Yield (Gross)	14% - 14.50% XIRR (Pre-taxes and Pre-expenses)
Tenure	4 years from First Close
Operating Expense	At actuals, 0.2% p.a.
Nature of Investments	Debt instruments like NCD, CP, CD, PTC, MLD etc
Sponsors	Northern Arc Capital

Highlights of Northern Arc Finserv Fund
<ul style="list-style-type: none"> A 4-year close ended fund with quarterly cashflows targeting higher risk-adjusted returns by investing in a diversified pool of debt securities of financial institutions for supporting their growth. 3-monthly coupon payments followed by bullet repayment of principal on maturity Target sectors: MSME Financing, Affordable housing loans, Vehicle Finance, Microfinance, Agri-finance, Consumer finance, Fintech Investment in a mix of securities: Providing growth capital for Portfolio Entities in the form of investments in secured and unsecured bonds, redeemable preference shares, pass through certificates (PTCs), market linked debentures, debt funds and other permissible securities. Average ticket size of INR 25 - 40 Cr size Diversified portfolio of ~45 - 55 companies

Past Funds Managed
No. Of Funds: 10 (6 have matured, 4 are deployed)
AUM Garnered: ~INR 3,636 Cr
Portfolio IRR (Gross): 14% - 17.5% (Matured Funds)
Portfolio IRR (Gross): 11% - 18% (Deployed Funds)
Fund Manager Details
Saurabh Agarwal CIO, Northern Arc Investments
Work Experience 16+ years
Previous Stints Yes Bank & RBL

Real Asset AIF: ICICI Pru Office Yield Optimiser Fund II

Product Overview	
Fund	ICICI Pru OYO Fund II
Category	Category II AIF
Target Corpus	INR 2000 Cr + 500 Cr green shoe
Min Investments	INR 1 Cr
Management Fees	Upto 2% p.a.
Targeted Yield (Gross)	15% - 18% (Pre-taxes and Pre-expenses)
Tenure	6+1+1 years
Operating Expense	At actuals, 0.1% - 1% of AUM
Nature of Investments	Listed and Unlisted Equity and Debt instruments
Sponsors	ICICI Trusteeship Services Limited

Highlights of ICICI Pru OYO Fund II
<ul style="list-style-type: none"> ▪ The Fund will invest in equity, equity-linked, and debt instruments in companies that own, construct, or operate commercial properties in major Indian cities, aiming to earn rental income and benefit from yield compression and rising rents. ▪ The target properties include offices, retail assets, logistic parks, life-sciences facilities, warehouses, and data centers. ▪ Investment in companies which owns or will own : <ul style="list-style-type: none"> – Pre-leased commercial real estate with potential for capital appreciation – Not more than 30% of the fund to be invested in companies which owns or will own built-to-suit / completed - vacant properties ▪ Significant skin in the game – Sponsor contribution of 10% of the fund size ▪ Average ticket size of INR 100 - 300 Cr size ▪ Average investment tenor of 36 – 60 months

OYO Fund I Details (Previous Fund)
First Close: Oct 2022
AUM Garnered: ~INR 1,716 Mn
Fully deployed
4 Investments made
Avg Ticket Size: INR 400 Crs
Portfolio IRR: 13% (Gross)
Fund Manager Details
Vishal Gupta Principal - Investments, ICICI Pru AMC
Work Experience 19+ years
Previous Stints Kotak Mahindra Prime & ICICI Bank

Summary

India Equity



Macro Story: Better in December; Visible Recovery in 4QFY25

- Consumption - GST collections grew 7.3% YoY in December, indicating steady consumption.
- Private Capex - Signs of improvement in industrial activity and positive revision of trade balance figures suggest potential support for private capex recovery.
- Industrial Activity - Industrial production continued rising upwards to 5.2% YoY in November and PMI data continues to be in the high-50s. Overall, the economy remains in expansion mode.
- Government Capex - Government revenues remain strong, but capex for FY25 is projected to be roughly 10% below budgeted estimates.
- Banking System Liquidity - Still in deficit as RBI FX intervention and widening of credit-deposit growth spread add pressure.

Micro Story: Valuation Close to Historic Average, Justified by Growth in the Indian Economy

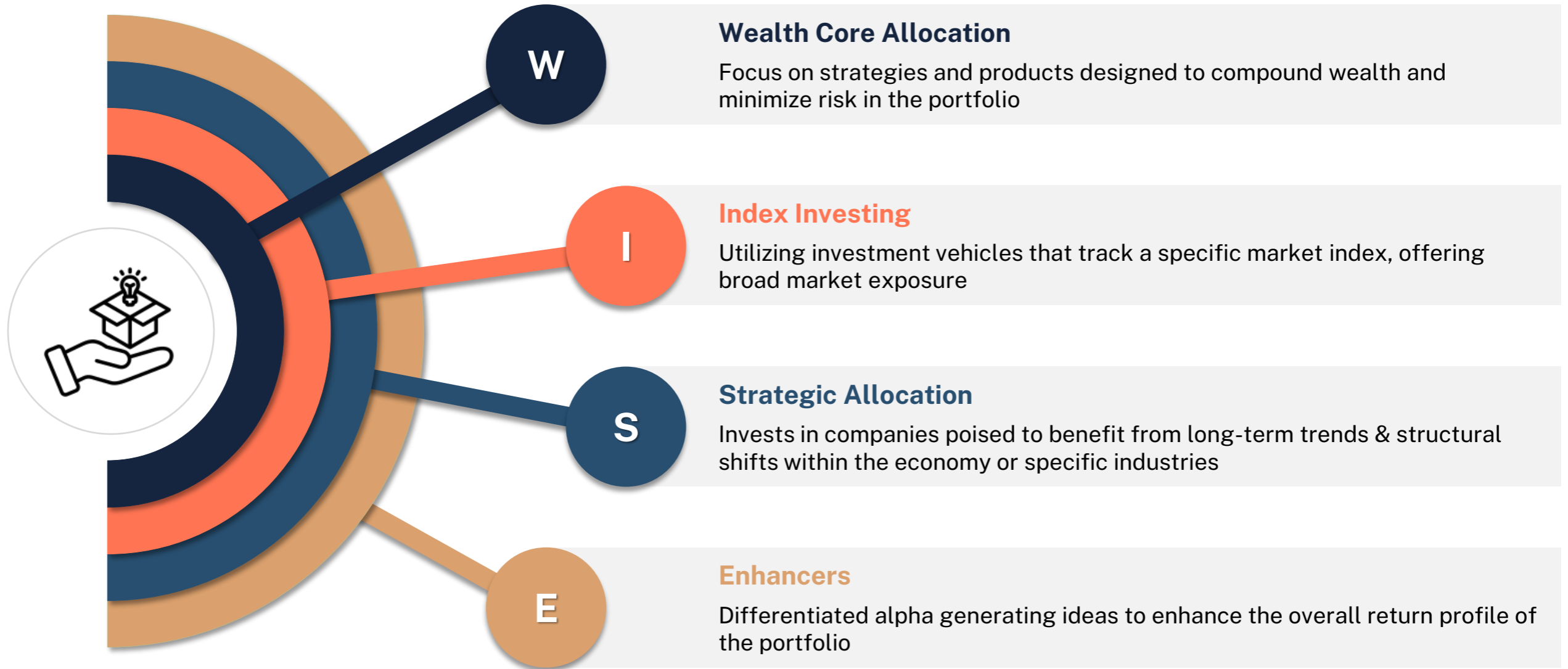
- Valuation - The recent market pullback coupled with lower earnings revisions has led to the Nifty 50 trading very close to its long-term historical average P/E.

Liquidity & Sentiment: DIIs Continue Absorbing FII Selling

- FIIs - Net sold worth Rs. 54.0k Cr worth of equities in January 2025.
- DIIs - Net bought worth Rs. 57.2k Cr worth of equities in January 2025.

Our view: Large-cap stocks currently offer more stability compared to mid and small caps. Although earnings have been subpar in 3QFY25, we believe stable macro environment continues to provide significant support to the markets. As a result, we can expect earnings to eventually align with these supportive factors, leading to a more balanced market outlook.

W.I.S.E. Equity Product Offering Framework



W.I.S.E. – Preferred Equity Portfolio Allocation

W = Wealth Core Allocation, I = Index Investing, S = Strategic Allocation, E = Enhancer

WISE Framework	Category	Products	Product Type	Allocation	Returns (%)			
					1M	3M	6M	1Y
Wealth Core (10% to 20%)	Large cap	ICICI Pru Bluechip	MF	10%	-2.04	-7.56	0.26	16.72
Index Investing (5% to 10%)	Smart Beta	Bandhan Nifty100 Low Volatility 30	MF	10%	-0.88	-10.63	0.41	10.75
Strategic Allocation (45% to 75%)	Large & Midcap	ICICI Pru Large & Midcap	MF	10%	-2.24	-9.41	0.01	20.20
		Alchemy Smart Alpha 250	D PMS		3.21	-0.92	2.45	31.65
	Flexi Cap/Multicap	Spark@75 Core and Satellite	D PMS	10%	-2.32	-8.87	-4.22	9.48
		ICICI EIP	D PMS	25%	-1.80	-7.60	-	-
		Abakkus All cap			-1.45	-6.79	-1.25	13.52
		Buoyant			-1.23	-4.27	3.34	18.78
		Renaissance India Next			-2.58	-4.28	7.85	32.25
		Nippon India Multi Cap	MF	-0.90	-5.66	1.09	25.59	
		Parag Parikh Flexi Cap	MF	0.99	-1.24	6.62	23.70	
		Old Bridge Focused Equity	MF	-1.68	-7.29	4.46	-	
Spark GEMS/ Bespoke/ HCI	ND PMS	10%	-4.18	-8.62	-1.11	15.48		
Mid & Small Cap	AAA Budding Beast	D PMS	5%	-0.60	-4.50	6.80	31.50	
Enhancer (10% to 25%)	Theme Focused	Carnelian Shift PMS/ Franklin India Opportunities	D PMS	5%	-1.89	1.80	16.73	38.02
					0.13	-2.64	3.23	36.93
	Near IPO	Spark Near IPO	Cat II AIF	10%	-	-	-	-
Unlisted	NSE & Other Unlisted	Non-Blind Pool Alternates	5%	-	-	-	-	
Benchmark	-	Nifty 500 – TRI	-	-	-1.37	-7.59	-0.42	16.10
		Nifty 50 – TRI	-	-	-2.02	-8.25	-1.08	10.00

Performance as on December 31, 2024

W.I.S.E Recommended Equity Products – Calendar Year Performance

Fund	Category	Absolute Return (%)			
		CY 2021	CY 2022	CY 2023	CY 2024
ICICI Pru Bluechip	Large Cap Fund	29.17	6.85	27.39	16.72
Bandhan Nifty100 Low Volatility 30 Index	Large Cap Fund	-	-	29.64	10.75
ICICI Pru Large & Mid Cap	Large & Mid Cap	41.80	11.70	29.94	20.20
Alchemy Smart Alpha 250	Flexi Cap Fund	-	-	22.50	31.59
Spark India@75 Core and Satellite Strategy	Flexi Cap Fund	31.99	16.29	41.95	9.75
ICICI Enterprising India	Flexi Cap Fund	-	-	-	-7.96**
Abakkus All Cap	Flexi Cap Fund	71.45	-1.35	36.19	13.52
Buoyant Opportunities Scheme	Flexi Cap Fund	69.38	3.20	40.35	18.78
Renaissance India Next	Flexi Cap Fund	67.41	22.35	28.51	32.35
Nippon India Multi Cap	Multi Cap Fund	48.91	14.12	38.13	25.59
Parag Parikh Flexi Cap	Flexi Cap Fund	45.51	-7.23	36.57	23.70
Old Bridge Focused Equity	Focused Fund	-	-	-	17.00**
Spark GEMS	NDPMS	-	-	11.18**	16.06
Bespoke	NDPMS	-	-	6.60**	28.14
HCI	NDPMS	-	1.07**	18.30	14.20
AAA Budding Beasts Portfolio	Mid and Small Cap	50.47	4.67	47.09	31.43
Carnelian Shift	Flexi Cap Fund	79.28	-4.23	65.62	38.02
Franklin India Opportunities	Thematic Fund	29.65	-1.86	53.56	36.93
NIFTY 500 - TRI	Benchmark	31.60	4.25	26.91	16.10
NIFTY 50 – TRI	Benchmark	25.59	5.69	21.30	10.00

**Some funds were launched in the middle of a calendar year. Examples in this regard include the ICICI Enterprising India (September 25, 2024), Old Bridge Focused Equity Fund (January 24, 2024), Spark GEMS PMS (September 1, 2023), HCI (September 19, 2022), and Bespoke (September 6, 2023). Accordingly, calendar year returns for the respective years have been calculated since the inception dates.
Source: Ace MF, Spark PWM Products

W.I.S.E. – Preferred Equity Portfolio Allocation (1/2)

Products	Brief Rationale & 1-Month Attribution	
ICICI Pru Bluechip	<ul style="list-style-type: none"> A combination of growth & quality and value styles of investing Has been one of the most consistent performers within the large cap funds space 	<ul style="list-style-type: none"> In Dec 2024, the fund outperformed the Nifty 100 TRI. This can be attributed to: <ul style="list-style-type: none"> An overweight stance on Healthcare, Real Estate An underweight stance on Utilities Good stock selection in Materials, IT, Healthcare
Bandhan Nifty100 Low Volatility 30	<ul style="list-style-type: none"> Factor-based exposure within the large cap space Builds a portfolio 30 stocks which exhibit the lowest volatility over the last 12 months Rebalanced on a quarterly basis 	<ul style="list-style-type: none"> In Dec 2024, the fund outperformed the Nifty 100 TRI. This can be attributed to: <ul style="list-style-type: none"> A higher skew towards Healthcare A lower skew towards Utilities, Energy Stock upsides in IT, Financials, Healthcare
ICICI Pru Large & Midcap Fund	<ul style="list-style-type: none"> A countercyclical investing style with a bias towards large caps The fund manager takes positions in stocks where there is valuation comfort and business improvement is expected 	<ul style="list-style-type: none"> In Dec 2024, the fund underperformed the Nifty Large & Midcap 250 TRI. This can be attributed to: <ul style="list-style-type: none"> An overweight stance on Materials An underweight stance on IT, Healthcare Weak stock selection in Consumer Discretionary, Financials, Healthcare
Alchemy Smart Alpha 250	<ul style="list-style-type: none"> Quant Driven Approach that aims to dynamically managing weights to factors such as Quality, Growth and Momentum in the top 250 stocks The fund is rebalanced daily and selects the top 25 stocks as per the ranking of the model, with minimal fund manager intervention 	<ul style="list-style-type: none"> In Dec 2024, the fund has outperformed the BSE 500 TRI. Major contributors were Dixon India, PB Fintech, Hitachi Energy and Kaynes Technology
Spark@75 Core and Satellite	<ul style="list-style-type: none"> Flexi cap mandate managed by a fund manager with over 3 decades of experience across Indian and global markets The fund manager dynamically rotates across sectors and market cap, while taking a valuation conscious approach towards portfolio construction 	<ul style="list-style-type: none"> In Dec 2024, the fund underperformed the Nifty 50 TRI. The key detractors were Updater Services, Wonderla Holidays, ABB India and Axis Bank
ICICI EIP/Abakkus All cap/ Buoyant/ Renaissance India Next	<ul style="list-style-type: none"> ICICI EIP <ul style="list-style-type: none"> Flexi cap mandate to cherry pick the high conviction ideas across all flagship ICICI PMS strategies (Contra/PIPE/Growth Leader) In Dec 2024, the fund underperformed the BSE 500 TRI. The key detractors were Stylam Industries, Ethos, LTI Mindtree and Power Finance Corporation Abakkus All cap <ul style="list-style-type: none"> Flexi cap portfolio managed by Mr. Sunil Singhania with bias towards large and mid caps; employs a bottom-up approach towards portfolio construction In Dec 2024, the fund underperformed the BSE 500 TRI. Key detractors were Aarti Industries, Aditya Birla Capital, Axis Bank and NTPC Ltd 	<ul style="list-style-type: none"> Buoyant <ul style="list-style-type: none"> Managed by 3 FMs who bring their unique set of expertise to manage the portfolio with a flexi cap mandate A core and satellite approach is followed, and the fund manager has flexibility to take cash calls In Dec 2024, the fund outperformed the BSE 500 TRI. Key contributors were Religare Enterprises, Bluejet Healthcare, One97 Communications, Dr. Reddy's, and V2 Retail Renaissance <ul style="list-style-type: none"> Managed by an experienced fund manager with a sector-agnostic approach Focuses on key themes that will drive the economy - Manufacturing, Exports, Revival of Investment Cycle, Technology Adoption, Digital Ecosystem In Dec 2024, the fund underperformed the Nifty 50 TRI. Key detractors were Balrampur Chini Mills, Exide Industries, Strides Pharma ICIC Pru life Insurance and ABB India

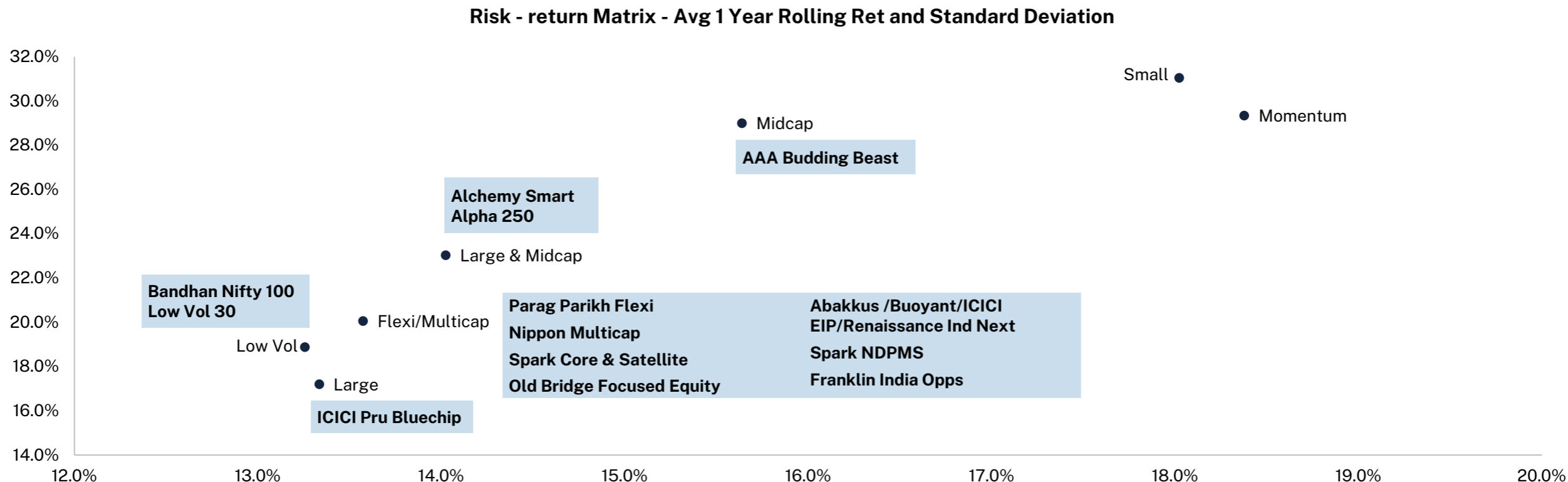
W.I.S.E. – Preferred Equity Portfolio Allocation (2/2)

Products	Brief Rationale & 1-Month Attribution	
Nippon India Multi Cap	<ul style="list-style-type: none"> Exposure spans multiple themes, sectors, and stocks Skewed toward large caps to minimize downside risk Minimum 50% exposure to the broader markets 	<ul style="list-style-type: none"> In Dec 2024, the fund outperformed the Nifty 500 TRI. This can be attributed to: <ul style="list-style-type: none"> An overweight stance on Consumer Discretionary An underweight stance on Utilities, Materials Good stock selection in Industrials, Consumer Discretionary
Parag Parikh Flexi Cap	<ul style="list-style-type: none"> A valuation-conscious and low churn approach aimed at minimizing downside risk Offers exposure to international stocks, which helps in diversifying geographical risk 	<ul style="list-style-type: none"> In Dec 2024, the fund outperformed the Nifty 500 TRI. This can be attributed to: <ul style="list-style-type: none"> An underweight stance on Industrials, Materials Good stock selection in Financials, Communication Services
Old Bridge Focused Equity	<ul style="list-style-type: none"> Investment approach lays emphasis on value as a style and is skewed towards broader markets The fund manager may select contrarian and turnaround plays as well The portfolio construct predominantly comprises market leaders and export-focused players 	<ul style="list-style-type: none"> In Dec 2024, the fund underperformed the Nifty 500 TRI. This can be attributed to: <ul style="list-style-type: none"> An overweight stance on Industrials, Communication Services, Utilities An underweight stance on Consumer Discretionary Weak stock selection in Healthcare, Materials, Energy
Spark GEMS/ Bespoke/HCI	<ul style="list-style-type: none"> Bespoke solution for UHNI clients who would require higher touch of engagement with Fund Manager(s) 	<ul style="list-style-type: none"> In Dec 2024, GEMS and HCI underperformed the BSE 500 TRI, whereas Bespoke outperformed the index
AAA Budding Beast	<ul style="list-style-type: none"> Diversified portfolio of high quality, established, and emerging leaders with low debt and net profit greater than Rs 50 crore 	<ul style="list-style-type: none"> In Dec 2024, the fund outperformed the BSE 500 TRI. The key contributors were PB Fintech, Hitachi Energy, Ipca Laboratories, Latent View, and V2 Retail
Carnelian Shift PMS/Franklin India Opportunities	<ul style="list-style-type: none"> Carnelian <ul style="list-style-type: none"> Theme exposure to Manufacturing and IT with a flexi cap mandate while having a mid and small cap bias across 25- 30 stocks In Dec 2024, the fund underperformed the BSE 500 TRI. The key detractors were Kirloskar Pneumatic, L&T Technology, Stylam Industries, Borosil and Neuland Laboratories. 	<ul style="list-style-type: none"> Franklin India Opportunities <ul style="list-style-type: none"> Exposure spans themes across market capitalization, such as Rising Affluence, Digitalization, Make in India, Sustainable Living (Energy) In Dec 2024, the fund outperformed the Nifty 500 TRI. This can be attributed to: <ul style="list-style-type: none"> An overweight stance on Healthcare, Consumer Discretionary An underweight stance on Energy Good stock selection in Consumer Discretionary, Financials, Communication Services, Materials
Spark Near IPO	<ul style="list-style-type: none"> Exposure to Near IPO ideas in the mid market segment and where there is a visibility of an exit through lpo in next 1-3 years at a valuation of ~INR 4000 Crs (0.5 Bn USD) 	

W.I.S.E. Product Suite – Risk Return Matrix

W = Wealth Core Allocation, I = Index Investing, S = Strategic Allocation, E = Enhancer

Risk - return Matrix – Last 3 year Avg Monthly 1 year Rolling Ret and Standard Deviation (Annualized)



- Returns are based on average of monthly 1 Year rolling returns of indices as on December 31, 2024
- The risk(standard deviation) is plotted in x-axis which is the annualized monthly standard deviation over last 3 years
- Ideal Product should have lower risk while generating higher return to enhance risk adjusted return profile of the portfolio
- The funds highlighted in blue boxes above correspond to the blue dots of the respective category. Funds are mapped based on their risk-return profile

We have taken the following Indices Monthly return data since 1 Jan 2014, to arrive at the average annualized return and standard deviation to construct the risk-return matrix:
 Large: Nifty 100 TRI; Mid: Nifty Midcap 150 TRI; Small: Nifty Small cap 250 TRI; Multi/Flexi: Nifty 500 TRI; Large & Mid: Nifty Large Midcap 250 TRI; Low Vol: Nifty100 Low Volatility 30 TRI; Momentum: Nifty200 Momentum 30 TRI
 Buyout, PE s and Venture Capital s have no benchmark we have positioned as per the industry risk reward historically based on the return profile and probability of writeoffs
 Data as on 31st December 2024

Views of Major Equity Mutual Fund Houses

AMC	Views
SBI	<ul style="list-style-type: none"> While value stocks did very well in H1 CY24, quality, as a style, made a comeback in H2 A continued normalization in market excesses could pose a risk to momentum stocks in 2025 A shift in market complexion towards a more defensive positioning can be attributed to rich valuations, weak sentiment, and slowdown in near-term earnings Broader market valuations stay significantly more elevated versus large cap indices India's corporate profits, as a proportion of GDP, have reverted higher over the past 4 years, after secularly declining for 12 years between 2008-2020 Revival in manufacturing, rising per capita GDP, and eventual global recovery could continue to support a constructive earnings growth outlook over the long term
HDFC	<ul style="list-style-type: none"> A sharp deceleration in government spending was a key cause behind GDP slowdown in 9M CY24 Private capex has been subdued, but real estate activity continues to demonstrate resilience Rural consumption is showing signs of recovery, benefiting from a low base, robust growth in Kharif crops, progress in Rabi crops, and higher wages Urban demand has been moderating, reflecting the impact of the RBI's tightening and consumption fatigue stemming from a high base of previous years India's high-frequency indicators present a mixed picture, reflecting divergent trends across sectors The external sector remains resilient, supported by growth in services exports, remittances, and FPI inflows, along with healthy forex reserves Valuations for most major sectors are higher than their long-term averages
ICICI	<ul style="list-style-type: none"> Sentiments have dampened as the US Fed has signaled slower pace of interest rate cuts for 2025 Combined effect of rising USD and high US bond yields have weakened near-term market construct and prompted FIIs to sell on rallies The current sell-off by FPIs has made large cap valuations reasonable compared to mid and small caps The fundamental drivers of India's multi-decade consumption and infrastructure growth are still firmly in place. These include favourable demographic dividend, rising per capita income, under-control inflation, digital transformation, strong corporate balance sheets, and consolidation of central fiscal deficit
Nippon	<ul style="list-style-type: none"> On the domestic front, weak near-term growth trends, sluggishness in earnings, elevated valuations, and FPI outflows triggered volatility Large cap valuations are hovering near their 3-year avg level since Jan 2024, while midcap and small cap are well above their 3-year average level Post the recent corrections overall valuations appear to be moderating in relative terms Potential triggers for demand revival would be rural agricultural recovery, extended wedding/festive season, higher govt spending, and moderating inflation Investors are likely to take cues from global trade and monetary policies as well as India Inc's corporate earnings
Axis	<ul style="list-style-type: none"> Elevated valuations, indices hitting lifetime highs, disappointing earnings growth, and persistent geopolitical tensions cast a shadow on the markets Markets are gravitating towards companies with clear earnings growth visibility and a lower likelihood of significant earnings downgrades Many segments of the economy are showing signs of a slowdown given the higher base, thus leading to weaker corporate earnings Growth is likely to remain moderate on account of fiscal consolidation and slower credit growth Margin improvement may not continue for long Tariffs on China and other countries proposed by Donald Trump could significantly impact global trade Given near-term growth challenges, likely muted FII inflows, and subdued earnings expectations, significant valuation expansion seems unlikely

Manager Outlook Takeaways: Equity PMS

AMC (Manager)	Market Outlook	Positioning & Deployment
Abakkus (Sunil Singhania)	<ul style="list-style-type: none"> India's economic outlook is cautiously optimistic, with growth expected around 6-7% Government spending is anticipated to rise in the second half of FY25 Trump's tougher tariff stance on China could create opportunities for India Positive relations between Modi and Trump are likely to provide mild benefits for India Europe's economic outlook remains muted, with slower growth expected Returns are expected to moderate Corporate profit growth is projected at 13-15% moving forward 	<ul style="list-style-type: none"> Positive on Banks, Industrials, Commodities, and Telecommunications Avoiding overpriced stocks even at the cost of near-term performance drag due to cash calls
Spark Asia Impact (P. Krishnan)	<ul style="list-style-type: none"> Banking system is strong with low NPAs; RBI actions should manage retail asset quality Corporate leverage is controlled, enabling credit growth post-correction Fiscal deficit will stay below 4.9%, and government spending is focused on capex Market expectations are high, but high valuations and slowing earnings pose risks FII were sellers in 2024; their sentiment depends on valuations and earnings growth 	<ul style="list-style-type: none"> Positioned in BFSI, IT and Healthcare Certain pockets in the market, previously overlooked, remain expensive - will selectively build exposure on these fronts Maintains a 20% cash allocation in new accounts
Carnelian (Vikas Khemani)	<ul style="list-style-type: none"> US economic and geopolitical policies could shape global markets this year Trump's tariffs on China could trigger inflation and affect Indian markets through a weaker Rupee India remains structurally strong, but inflation has caused the RBI to pause rate cuts Tight market liquidity, slowing earnings growth, and high equity paper supply persist Valuations are nearing perfection after a strong performance seen recently 	<ul style="list-style-type: none"> Positive outlook on Banking, Pharma, IT, and Manufacturing sectors Initiating a new position in the power infrastructure sector Maintaining low expectations and avoiding high-risk, especially leverage
Renaissance (Pankaj Murarka)	<ul style="list-style-type: none"> Post Q2 FY25 saw positive signals: increased government capex, positive PMI measures, strong rural indicators, and bank credit growth rising to 11.5% YoY in mid-December (up from 10.6% in Nov). RBI faces challenges linked to slowing economic growth, persistent food inflation, elevated CAD, and capital outflows INR fell ~3% vs USD in 2024, which is lower than other EM currencies RBI may allow a sharper depreciation in 1H 2025 to boost exports India long-term growth outlook strong, but cyclical slowdown persists 	<ul style="list-style-type: none"> Urban consumption, private corporate capex and industrial credit continue to remain subdued Positive on Private sector financials, Housing NBFCs, IT, Pharma, Industrial, Capital Goods and Telecom
AAA (Rajesh Kothari)	<ul style="list-style-type: none"> Fiscal deficit reduced from 9.2% in FY21 to 5.6% in FY24, indicating strong control Government spending up 25% from 7M FY24 to 7M FY25 Market volatility expected, but it presents opportunities 	<ul style="list-style-type: none"> Avoided microfinance for the last 5 years; most stocks down by 30%. Shifted from underweight to increasing exposure in IT Bullish on Banking, Capital Goods, especially tech/R&D Focused on CDMO in Healthcare No exposure to FMCG Reduced exposure in 2-wheelers and related ancillaries

PMS/AIF Key Ideas for the Month

	Overview	Details	Market Cap Allocation	Entry / Exit in the Month	Top 5 Sectors	Top 5 Stocks																						
Spark C&S*	<p>Suitable For Conservative investors seeking a large cap bias portfolio and consistent long-term return generation</p> <p>Strategy 12-20 stocks portfolio, sector agnostic portfolio with a market cap agnostic mandate, manager will rebalance the "Satellite" portion if the weight exceed the intended allocation</p> <p>Positioning</p> <ul style="list-style-type: none"> Bullish on BFSI, Healthcare, and IT 	<p>AUM - 371</p> <p>Stocks - 21 Sectors - 13</p> <p>Up / Down Capture -3Y 115 / 59</p>	<table border="1"> <tr><th>Market Cap</th><th>Allocation</th></tr> <tr><td>Largecap</td><td>40.0%</td></tr> <tr><td>Midcap</td><td>22.5%</td></tr> <tr><td>Smallcap</td><td>20.5%</td></tr> <tr><td>Cash</td><td>17.0%</td></tr> </table>	Market Cap	Allocation	Largecap	40.0%	Midcap	22.5%	Smallcap	20.5%	Cash	17.0%	<ul style="list-style-type: none"> Dr Reddys Lab NTPC 	<table border="1"> <tr><th>Sector</th><th>Allocation</th></tr> <tr><td>BFSI</td><td>37.0%</td></tr> <tr><td>IT</td><td>11.0%</td></tr> <tr><td>Pharma/Healthcare</td><td>10.0%</td></tr> <tr><td>Consumer Staples/Discretionary</td><td>3.5%</td></tr> <tr><td>Others</td><td>18.5%</td></tr> </table>	Sector	Allocation	BFSI	37.0%	IT	11.0%	Pharma/Healthcare	10.0%	Consumer Staples/Discretionary	3.5%	Others	18.5%	<ul style="list-style-type: none"> HDFC Bank Abbott India Kotak Mahindra Bank Updater Services ICICI Lombard General Insurance
Market Cap	Allocation																											
Largecap	40.0%																											
Midcap	22.5%																											
Smallcap	20.5%																											
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Consumer Staples/Discretionary	3.5%																											
Others	18.5%																											
AAA BB	<p>Suitable For Balanced investors seeking broader market exposure through quality and established leaders</p> <p>Strategy Mid and small cap focused portfolio, where portfolio is constructed to deliver risk adjusted return by navigating volatile market through diversified portfolio construction and disciplined exit approach</p> <p>Positioning</p> <ul style="list-style-type: none"> Positive on Capital Goods, Healthcare, and Finance Underweight in FMCG & IT 	<p>AUM - 490</p> <p>Stocks - 57 Sectors - 23</p> <p>Up / Down Capture -3Y 119 / 60</p>	<table border="1"> <tr><th>Market Cap</th><th>Allocation</th></tr> <tr><td>Largecap</td><td>8.0%</td></tr> <tr><td>Midcap</td><td>17.0%</td></tr> <tr><td>Smallcap</td><td>73.0%</td></tr> <tr><td>Cash</td><td>2.0%</td></tr> </table>	Market Cap	Allocation	Largecap	8.0%	Midcap	17.0%	Smallcap	73.0%	Cash	2.0%	<ul style="list-style-type: none"> Gokaldas Exports Limited Ceat Ltd. Concord Enviro Systems Ltd. International Gemmological Institute India Ltd. Asahi India Glass Ltd. KPIT Technologies Ltd CE Info Systems Ltd. MAPMYINDIA K.P.R. Mill Limited 	<table border="1"> <tr><th>Sector</th><th>Allocation</th></tr> <tr><td>Engineering</td><td>16.4%</td></tr> <tr><td>Pharma</td><td>15.6%</td></tr> <tr><td>Banking & Finance</td><td>11.9%</td></tr> <tr><td>Consumer</td><td>11.6%</td></tr> <tr><td>Auto Ancillary</td><td>10.3%</td></tr> </table>	Sector	Allocation	Engineering	16.4%	Pharma	15.6%	Banking & Finance	11.9%	Consumer	11.6%	Auto Ancillary	10.3%	<ul style="list-style-type: none"> CG Power and Industrial Solutions Max Estates Ltd. Sudarshan Chemical Industries Ltd. Hitachi Energy India GNA Axles Ltd.
Market Cap	Allocation																											
Largecap	8.0%																											
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Auto Ancillary	10.3%																											
Alchemy Smart Alpha	<p>Suitable For Balanced to Aggressive investors seeking long-term alpha generation in large and midcap space</p> <p>Strategy A quant-focused approach to build a portfolio of ~25 stocks in the large and midcap space. Rebalancing is undertaken daily by dynamically changing factor weightage as per the prevailing macro environment</p> <p>Positioning</p> <ul style="list-style-type: none"> Bullish on Consumer Durables and Finance Negative on FMCG and Auto 	<p>AUM - 512</p> <p>Stocks - 25 Sectors - 10</p> <p>Up / Down Capture -SI^ 140 / 34</p>	<table border="1"> <tr><th>Market Cap</th><th>Allocation</th></tr> <tr><td>Largecap</td><td>27.0%</td></tr> <tr><td>Midcap</td><td>49.0%</td></tr> <tr><td>Smallcap</td><td>23.0%</td></tr> <tr><td>Cash</td><td>1.0%</td></tr> </table>	Market Cap	Allocation	Largecap	27.0%	Midcap	49.0%	Smallcap	23.0%	Cash	1.0%	<ul style="list-style-type: none"> CDSI MCX Llyods Metal & Energy Oil India NTPC Indus Towers 	<table border="1"> <tr><th>Sector</th><th>Allocation</th></tr> <tr><td>Consumer Discretionary</td><td>26.4%</td></tr> <tr><td>Financials</td><td>25.0%</td></tr> <tr><td>Industrials</td><td>21.5%</td></tr> <tr><td>Information Technology</td><td>10.1%</td></tr> <tr><td>Healthcare</td><td>7.6%</td></tr> </table>	Sector	Allocation	Consumer Discretionary	26.4%	Financials	25.0%	Industrials	21.5%	Information Technology	10.1%	Healthcare	7.6%	<ul style="list-style-type: none"> Dixon Technologies India Ltd Trent Ltd PB Fintech Ltd Power Finance Corporation Ltd Hitachi Energy India
Market Cap	Allocation																											
Largecap	27.0%																											
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Data - 31st December 2024

*Old client Portfolio is used for Entry and Exit analysis in Spark C&S analysis, New client portfolio entry and exit may differ

^Up/down capture for Alchemy smart alpha 250 is since inception

MF Key Ideas for the Month

	Overview	Details	Market Cap Allocation (%)	Entry / Exit in the Month	Top 5 Sectors (%)	Top 5 Stocks																						
Bandhan Nifty100 Low Volatility 30 Index - Reg(G)	<p>Suitable For Conservative investors seeking to limit downside risk through a low-cost passive product</p> <p>Strategy The securities are selected from Nifty 100 index and should be available for trading in derivative segment (F&O). Stock weights are based on volatility, which is calculated as the standard deviation of daily price returns for the last one year. Weightage of a stock is capped at 3% in instances where its turnover is less than the stock with the lowest turnover in the Nifty 50 index. Rebalancing is undertaken at quarterly intervals.</p>	<p>AUM - 1,383</p> <p>Stocks - 30 Sectors - 13</p> <p>Up / Down Capture - NA</p>	<table border="1"> <tr><th>Category</th><th>Value (%)</th></tr> <tr><td>Large</td><td>96.28</td></tr> <tr><td>Mid</td><td>3.47</td></tr> <tr><td>Small</td><td>0.00</td></tr> <tr><td>Others</td><td>0.25</td></tr> </table>	Category	Value (%)	Large	96.28	Mid	3.47	Small	0.00	Others	0.25	<p>The fund replicates the benchmark, which is rebalanced at quarterly intervals</p> <p>The fund replicates the benchmark, which is rebalanced at quarterly intervals</p>	<table border="1"> <tr><th>Sector</th><th>Value (%)</th></tr> <tr><td>FMCG</td><td>18.2</td></tr> <tr><td>Healthcare</td><td>17.5</td></tr> <tr><td>IT</td><td>12.7</td></tr> <tr><td>Auto</td><td>11.9</td></tr> <tr><td>Bank</td><td>10.2</td></tr> </table>	Sector	Value (%)	FMCG	18.2	Healthcare	17.5	IT	12.7	Auto	11.9	Bank	10.2	<ul style="list-style-type: none"> Sun Pharmaceutical Industries Ltd. ITC Ltd. Nestle India Ltd. Dr. Reddy's Laboratories Ltd. Hindustan Unilever Ltd.
Category	Value (%)																											
Large	96.28																											
Mid	3.47																											
Small	0.00																											
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Auto	11.9																											
Bank	10.2																											
ICICI Pru Bluechip (G)	<p>Suitable For Conservative and Balanced investors seeking to compound wealth steadily through large caps</p> <p>Strategy The fund includes exposure to growth and value stocks. Growth portion of the portfolio lays emphasis on sector leadership, profitability, and compounding potential. For the value portion, stocks are shortlisted based on temporary headwinds, undemanding multiples, and scope for mean reversion.</p> <p>Positioning</p> <ul style="list-style-type: none"> Overweight on Construction, Infra, and Auto Underweight on IT, FMCG, and Financials 	<p>AUM - 63,264</p> <p>Stocks - 67 Sectors - 26</p> <p>Up / Down Capture - 99.8 / 72.4</p>	<table border="1"> <tr><th>Category</th><th>Value (%)</th></tr> <tr><td>Large</td><td>84.9</td></tr> <tr><td>Mid</td><td>6.12</td></tr> <tr><td>Small</td><td>0.66</td></tr> <tr><td>Others</td><td>8.31</td></tr> </table>	Category	Value (%)	Large	84.9	Mid	6.12	Small	0.66	Others	8.31	<p>-</p> <p>-</p>	<table border="1"> <tr><th>Sector</th><th>Value (%)</th></tr> <tr><td>Bank</td><td>22.35</td></tr> <tr><td>Auto</td><td>9.98</td></tr> <tr><td>IT</td><td>8.41</td></tr> <tr><td>Crude Oil</td><td>7.09</td></tr> <tr><td>Infrastructure</td><td>6.50</td></tr> </table>	Sector	Value (%)	Bank	22.35	Auto	9.98	IT	8.41	Crude Oil	7.09	Infrastructure	6.50	<ul style="list-style-type: none"> HDFC Bank Ltd. ICICI Bank Ltd. Larsen & Toubro Ltd. Infosys Ltd. Bharti Airtel Ltd.
Category	Value (%)																											
Large	84.9																											
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Crude Oil	7.09																											
Infrastructure	6.50																											
Parag Parikh Flexi Cap - Reg(G)	<p>Recommended For Conservative and Balanced investors seeking to participate across the market cap spectrum, while simultaneously being cautious about risk factors</p> <p>Strategy & Positioning The exposure predominantly pertains to mega and large caps. In addition, the fund offers exposure to select US-based tech stocks, thereby ensuring geographical diversification. Active cash calls may be taken when there are not enough investment opportunities.</p> <p>Positioning</p> <ul style="list-style-type: none"> Overweight on Mining, Banks, and Power Underweight on Crude Oil, Capital Goods, and Infra 	<p>AUM - 87,539</p> <p>Stocks - 58 Sectors - 26</p> <p>Up / Down Capture - 86.1 / 65.1</p>	<table border="1"> <tr><th>Category</th><th>Value (%)</th></tr> <tr><td>Large</td><td>60.82</td></tr> <tr><td>Mid</td><td>3.60</td></tr> <tr><td>Small</td><td>2.82</td></tr> <tr><td>Others</td><td>32.76</td></tr> </table>	Category	Value (%)	Large	60.82	Mid	3.60	Small	2.82	Others	32.76	<ul style="list-style-type: none"> Narayana Hrudayalaya Ltd. UTI Asset Management Company Persistent Systems Ltd. Accelya Solutions India Ltd. 	<table border="1"> <tr><th>Sector</th><th>Value (%)</th></tr> <tr><td>Bank</td><td>28.54</td></tr> <tr><td>IT</td><td>12.60</td></tr> <tr><td>Finance</td><td>9.59</td></tr> <tr><td>Power</td><td>7.48</td></tr> <tr><td>Auto</td><td>7.29</td></tr> </table>	Sector	Value (%)	Bank	28.54	IT	12.60	Finance	9.59	Power	7.48	Auto	7.29	<ul style="list-style-type: none"> HDFC Bank Ltd. Bajaj Holdings & Investment Ltd. Power Grid Corporation Of India Ltd. Coal India Ltd. ITC Ltd.
Category	Value (%)																											
Large	60.82																											
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Data as on December 31, 2024

Capture ratios: Represent average of 1-month values (calculated monthly) for the last 3 years

Source: Ace MF, Spark PWM Products

W.I.S.E - Product in Focus: Spark Near IPO

Why we like Spark Midas Investment I?

Firm

- **Expertise** : Practitioner heritage of >2 decades in deal making and sourcing
- **Established ecosystem across** Corporates, VC investors and wealth clients
- **Scale**: Consummated ~INR 64,000 Cr worth of Investment banking deals till date
- **Experience**: 9 senior MDs with diverse experience bring in a cumulative ~230 years of experience
- **Stability and continuity** of the team with 6 out of 9 have been associated with Spark for more than a decade
- Ability to **source proprietary** deals
- **Ability** to partner with family offices ,CVCs, and HNIs for co-investments
- Track record of curating successful transactions, exits and create shareholder value for leading businesses such as **Craftsman Automation, Suryodyay, Veritas Finance, Unicommerce, Jana SFB, Shadowfax, Shiprocket and Sutherland**

Manager

- Successful deal making heritage
 - Expertise in sourcing, structuring and facilitating exits
 - **Valuation conscious approach**
 - Numerous transactions executed in late stage which has gone on to get listed, are at near listing stage or have seen successful strategic sale.
 - Expertise in **Consumer, Tech and BFSI space**
 - **Value addition** framework enables to replicate success
 - Track record of advising on value creation pathways for entrepreneurs and investors alike
 - Strong post transaction performance of companies dealt with indicating a robust deal selection process
 - Evaluation matrices, deal making and due diligence DNA

Fund

- **Target Opportunities:**
 - INR 25-75 Cr ticket size having potential to list around INR 4000 Cr Market cap or above
 - Estimated time to IPO is 1-3 years for underlying companies
- **Ownership:**
 - <10% stake; Not to be deemed as promoter at IPO
 - <25% of corpus in a single investment
 - Existing presence of Institutional investor in cap table
- **Investment criteria:**
 - Reasonable scale with 3 years vintage
 - Profitable
 - Target Returns >25% IRR (Pre -Tax)
- **Drawdown Schedule:** 100% in 2 years from first draw down
- Average expected holding period is **1-3** years

W.I.S.E - Product in Focus: Samara Capital III

Why we like Samara Capital III?

Firm

- **Expertise** : 15 years of experience in Mid market PE space in India
- **Scale**: Invested INR 10,000 Cr till date
- **Stake**: 51 to 100% stake in a company
- **Experience**: 9 senior MDs with cumulative ~136 years of experience
- **Stability and continuity** of the team
- Presence of **Offshore Institutional** and **Global Family offices** in the
- Ability to **source proprietary** deals
- **Network of CEOs** who have proven track record of business transformation
- Track record of creating market leading businesses such as **Sapphire Foods, First Meridian, Marengo Asia**
- **Ability to source exits** in tough times
- **Strong inhouse** research team
- Inhouse **Operating partner** team

Manager

- Ability to execute **Rollup** plays in sectors ripe for consolidation
 - E.g. Sapphire, First Meridian & Iron Mountain
 - **Valuation conscious**
 - Not lost money in any deals made **since 2010**
 - Expertise in **Consumer, Financial, Healthcare & Business Services**
 - **Value addition** framework enables to replicate success
 - Ability to **onboard high-quality CEOs** to transform portfolio companies
 - Key traits of deals made:
 - INR 300-2000 Cr Revenue
 - Profitable with **20% ROIC**
 - Growing at **15% p.a.**
 - Preference for control
 - Exit orientation

Fund

- Cat II AIF
- Focus on Buyout deals and Roll-up Plays
- 10+1+1 year time Tenure
- Investment time frame : 4 years
- Exits will be from end of 5th year
- Drawdown Schedule: 65% in first 2 years and rest in Year 3 and 4
- Average expected holding period is **4-6** years
- Investment Themes:
 - **Unorganized to Organized**
 - **Rising penetration on the back of awareness**
- Fees:
 - 2% management fees
 - 10 % Hurdle and 20% profit share with catchup

W.I.S.E - Product in Focus: TVS Capital

Why we like TVS Capital?

Firm

- **Founder:** Gopal Srinivasan, a third-generation entrepreneur from the TVS Group.
- ~17 years experience and track record as a growth investor in the private equity space; raised ~Rs 6000 crore till date
- Successfully managed 3 funds with a focus on top-quartile performance, delivering consistent returns (Fund 2 & 3).
- **Strong Exit Track Record:** Exited 2 funds fully and 4 out of 12 exits made in Fund 3 already
- **Some Key Investments:** Go Digit, Yubi, Leap, Phone pe, Insurance Dekho, Five Star
- **ABC Assessment process**
 - **A(AAA):** The best founder (Ambition, Ability to Execute, Attract and retain people)
 - **B (BBB):** Building Better Business
 - **C(CCC):** Consistent Capital Compounding

Manager

- Experienced leadership led by Mr. Gopal Srinivasan with a mix of investing and operating experience
- 7-member in an experienced investment team
- Dedicated Research team to conduct in-depth value chain analysis in focus sectors, as the fund manager believes in deriving alpha from depth and expertise in focus sectors/themes
- 27 successful exits out of 35 deals made across 3 funds
- Funds 2 & 3 are top quartile performers in their respective vintage

Fund

- **Focus**
 - Leveraging the expertise built in earlier years to focus in-depth across the Financial services space
 - Technology space (Tech services and Tech for financial service and business services)
- **Stage**
 - Across Stages : Early- growth to Late- Stage, Series B+ investing
 - 1st cheque to businesses focused on NBFCs, Insurance and IT services
- **Raising:.**
 - Size: 3000+2000 Crs
 - Currently raised ~₹3,000 Cr, all from domestic capital.
- **Investment Strategy:** 12-15 companies in Finance and Tech space with a cheque size of INR 200-400 Crores
- **Positioning:** Amongst India's largest Rupee capital focusing on next generation of entrepreneurs building resilient and multidecadal model to drive India's growth

Disclaimer

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Road, Chakala, Andheri East,
Mumbai – 400 093



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Hyderabad – 500032



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Boat Club Road,
Sangamvadi,
Pune – 411 001



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Near Jodhpur Cross Road,
Satellite,
Ahmedabad – 380 015



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Kolkata – 700 016



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