WALLFORT PMS
A MARATHON OF INVESTING

APRIL 2025

Navigating through Known Unknown

Dear Valued Investors,

In light of the ongoing tariff war, navigating investments requires a strategic and adaptive approach. The recent escalation in trade restrictions has led to high business uncertainty, market volatility, and disruptive impact on global supply chains. While uncertainty prevails, opportunities exist for those who can focus on resilient businesses less likely to be affected by this global trend.

Diversification remains key, alongside a keen focus on sectors demonstrating strong domestic demand and growth visibility. As we continue to assess the evolving landscape, our commitment is to provide informed guidance and balanced view ensuring that your investment remain well-positioned amidst these challenges. We appreciate your trust and remain dedicated to steering through these complexities with prudence.

Tariff War: Disruption, Devastation or Opportunity

Yes, geopolitical uncertainty is on the rise fuelled by war on battleground and trade. With so much of known unknown, it is prudent to look from the perspective of how our Government is dealing with them. India should stand favourably against most emerging economies and even some developed economies in terms of geopolitical and trade risks are concerned. In our opinion proactive approach adopted on bilateral negotiation and avoiding knee jerk reaction will payoff.

Impact of Global Trade Tariff Friction

- Higher price of goods and services will lead to contraction in consumer spending
- Heightened economic and business uncertainty will discourage investment and spending by businesses
- Exports driven businesses and economies will be impacted negatively
- Impact on global trade will have trickle down impact on domestic growth

Impact on India

- Negotiation based proactive approach will favour India
- Relative higher tariff on competing countries to give competitive edge to Indian exports
- Elasticity of export demand to support growth sustenance
- Indian Exports to USA is around 2% of India’s GDP will limit economic impact
- Possibly high incremental FDI flow to India on China+1 policy getting more traction

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90-Day Tariff Pause: Showcasing willingness to negotiate

- On April 9, 2025, President Trump announced a 90-day pause on reciprocal tariffs for India and other nations (excl. China)
- The tariff pause opens a window for negotiation and reduce near-term uncertainty
- This triggered a global relief rally:
  - Wall Street: Nasdaq surged 12.16%, S&P 500 jumped 9.52%
  - India: Sensex and Nifty opened 1.5% higher on April 11, with mid- and small-caps gaining 2%+

RBI Comments - MPC (April 7-9, 2025)

- A period of exceptional uncertainties for global economy
- Headline CPI inflation is projected for 2025-26 at 4%
- GDP growth forecast for 2025-26 is revised to 6.5% from earlier 6.7%
- Outlook for agriculture sector remains positive
- Manufacturing sector showing signs of revival
- Service sector continuous to be resilient
- Rural demand continuous to remain healthy
- Urban consumption is gradually picking up with uptick on discretionary spending

Crude Prices: Impact of Falling Crude Oil Prices on India's Economy

- India imports 88% of its crude oil
- Every $1 drop in oil prices reduces the Current Account Deficit (CAD) by approximately $1.5 billion
- A 16% drop in Brent crude (April 2025) significantly reduces the import bill, easing pressure on forex reserves
- Higher revenue to government through excise duties on fuel to provide headroom to government spending on infrastructure and other priority sectors

India's Crude Oil Import Bill vs. International Crude Oil Prices (FY2015–FY2024)

Fiscal Year	Import Volume (MMT)	Import Value (₹ Trillion)	Average Crude Price (USD/barrel)	Import %
FY2015	189	6.9	84	84.0%
FY2016	202	4.2	46	85.3%
FY2017	213	5.2	50	85.9%
FY2018	220	6.8	58	86.6%
FY2019	227	9.0	71	87.6%
FY2020	227	7.0	60	88.0%
FY2021	196	5.4	44	87.1%
FY2022	212	9.4	79	88.3%
FY2023	232	16.0	95	89.3%
FY2024	233	14.5	85	89.6%
FY2025*	220	-	73	88.9%

Source: www.ppac.gov.in *Data is up to February, 2025

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Attractive Valuations & Earnings Revival

- The Nifty's P/E ratio has corrected to 10% below long-term average
- High probability of double-digit earnings growth from Q2 FY26, driven by capex revival

India - A long term growth story

Factors catalyst to India's long term growth prospects cannot be taken away by any single event.

- Demographic Dividend – median age < 30, gives large pool of work force and consumer base
- Expanding Middle Class – expected to be 38% of population by 2031
- Rapid Urbanisation – expected to be 40% of population by 2030
- Infrastructure Upgrade – significant growth across all verticals of infrastructure
- Digital Revolution – Target to become USD 1TN digital economy in 2025-26
- Service Sector – High Resilience
- Manufacturing Sector – Government Push, China plus one advantage

Current correction is due to uncertainty emerging out of engineered change of level playing field in the Global Trade by USA. We believe India will emerge with little scar and even benefit out of trade war between USA and China.

Stay disciplined and stay calm. Focus on individual performance of the companies.

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