

FinSight

NEWSLETTER

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Kaima Asset

Responsible Wealth Management

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Editor's Note



Abhishek Luthra
Editor



Ritu Sardana
Co-Editor

Welcome to the ***Third edition*** of the *FinSight Newsletter*, where we delve into the dynamic world of finance, investment strategies, and economic trends shaping the future.

As the financial landscape evolves at an unprecedented pace, staying informed and adaptable is more critical than ever. Through the FinSight Newsletter, our mission is to bridge the gap between complex financial concepts and actionable insights. Whether you are an industry veteran, a budding investor, or simply curious about the forces shaping global markets, we strive to offer content that resonates with and inspires you.

This edition explores topics ranging from Market Outlook and Industry Trends to Top Financial News and the Global Economy amid trade war fears. We've also added the Insurance Sector outlook and changes shaping up the future of MSME's in India. We've collaborated with industry experts to ensure that the right information reaches you.

We would like to extend our heartfelt gratitude to our contributors, readers, and partners for making the FinSight Newsletter a trusted resource in the financial community. Your unwavering support drives us to raise the bar continuously.

On behalf of the editorial team at Kaima Asset Private Limited, we hope this issue provides valuable perspectives and equips you to navigate the ever-changing financial landscape with confidence.

Warm Regards

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Macro + Markets: A Power Brief

Quarterly Updates

Market Outlook

1. As of April 2025, India's GDP growth for the fourth quarter of fiscal year 2024-25 (January-March 2025) is estimated at 7.6%, according to the Chief Economic Adviser (CEA) and SBI Research. The strong Q4 performance is attributed to increased government capital expenditure and significant economic activity during the Maha Kumbh Mela, which boosted sectors like hospitality, transport, and retail.

2. The Nifty 50 index P/E level stands at 21.7x, which is 7.6% less than its 10-year average of 23.5x.

3. The Nifty Midcap 150 index is trading at a P/E of 34.3x, which is a 23% premium to its 10-year average P/E of 27.7x.

4. The P/E of the Nifty Smallcap 250 index is 30.1x, which is 22% above its 3-year average of 24.6x.

5. India's goods and services exports are projected to exceed USD 800 billion in 2024-25, driven by robust service exports, which reached USD 354.90 billion during April-February. While merchandise exports remained flat, positive growth is anticipated in 2025-26.

6. India's foreign exchange reserves rose by \$300 million to a more than three-month high of \$654.27 billion as of March 14, 2025. They had risen by \$15.3 billion in the prior week, the biggest jump since August 2021.

7. India's retail inflation slowed to 3.34% in March 2025, the lowest in 5 years, driven by falling food prices. Core inflation rose modestly due to gold and transport costs.

8. Prices of gold jumped by 8% and crude oil rose by 12% during Q1 2025, reaching multi-year highs owing to escalating global geopolitical tensions.

EconEye: India's Macro Pulse

INDICATOR	VALUE/STATUS
Real GDP Growth	6.2% (Q3 FY 24-25)
CPI Inflation (FY 24-25)	4.70%
Repo Rate	6.00% (Cut by 25 bps in April 2025)
Monetary Policy Stance	Neutral to Accommodative
Capital Expenditure (FY 26 Projected)	₹11.21 lakh crore (3.1% of GDP)

GROWTH FORECAST FOR 2025-26 | Q1

6.5% RBI

6.5% IMF

6.7% WORLD BANK

6.3% to 6.8% IBEF

6.5% FITCH

6.4% OECD

India's GDP growth projected at 6.4% for FY25, 6.5% for FY26 highlighting the need to realign fiscal policy to support the country's journey toward Viksit Bharat

Top Financial Headlines

- FIIs pumped ₹6,066 crore into Indian equities on April 15, their biggest single day buy since March 27. For the year so far, FIIs have been net seller of shares worth Rs 1.68 lakh crore, while DIIs have net bought Rs. 2.04 lakh crore worth of shares. Market resilience is supported by cooling inflation and strong monsoon prospects.
- US Market sentiment weakened in March, as Bank of America's Sell Side Indicator (SSI) dropped 56 basis points to 56.1%, its largest decline in over two years, amid trade tensions and stagflation fears, though it remains in neutral territory, with a 12% projected return for the S&P 500 over the next 12 months.
- The equity market correction that began in September 2024 led to the first decline in mutual fund (MF) assets in 10 quarters, as assets under management (AUM) dropped 1.7% to ₹67.4 trillion in Q4 of FY25, down from ₹68.6 trillion in the previous quarter. This decline was driven by both market fluctuations and the outflows from equity-oriented schemes, which make up 54% of MF AUM.
- Equity mutual funds experienced net inflows of ₹25,082 crore in March, a 14% decline from ₹29,303 crore in February. The number of active SIP accounts declined to 8.11 crore in March from 8.26 crore in February. This marks the third consecutive month of declining inflows, attributed to heightened market volatility and global uncertainties reflecting a cautious approach by investors .
- The Union Budget 2025 proposed 100% FDI in insurance for companies investing premium funds within India and announced a State-wise Investment Friendliness Index, aiming to create a transparent, investor-friendly ecosystem that encourages long-term foreign capital inflows and fosters healthy inter-state competition.
- Moody's projects India's 2025 growth at 5.5–6.5%, slightly below earlier estimates, citing global trade risks from volatile U.S. tariffs. The outlook reflects India's continued resilience despite rising global uncertainties.
- PE investments in Indian real estate have declined, but debt, hybrid funding, and warehousing investments are rising. FY25 saw a revival in foreign interest, with future focus shifting to sectors like data centers.

Tracking the Trend: Indices, Factors & Sectors

Benchmark, Factor Indices & Sectoral Performance (in %)

Index	1M	3M	6M	12M
Nifty 50	-5.9%	-8.3%	-12.3%	0.6%
NSE Midcap 150	-10.6%	-15.1%	-19.0%	-0.5%
NSE Smallcap 250	-12.7%	-21.9%	-23.8%	-7.5%
Nifty 500	-7.9%	-12.4%	-16.2%	-1.0%
Nifty 100 Low Vol 30	-7.2%	-7.5%	-13.4%	-0.6%
Nifty 100 Quality 30	-9.8%	-12.8%	-18.3%	-2.0%
Nifty 50 Value 20	-9.5%	-12.6%	-16.6%	-2.6%
Nifty IT TRI	-12.5%	-13.5%	-12.8%	-1.1%
Nifty Auto TRI	-10.4%	-12.3%	-21.7%	0.4%
Nifty Pharma TRI	-7.6%	-10.9%	-14.7%	4.3%
Nifty FMCG TRI	-10.6%	-12.5%	-19.6%	-6.2%
Nifty Bank TRI	-2.5%	-7.1%	-5.9%	4.8%

(Data as on 28th February 2025, Source: Bloomberg, AMFI)

- The Nifty Bank TRI posted a 12-month return of +4.8% — the highest among all indices, driven by strong loan growth, better asset quality, and a favorable rate outlook.
- The Nifty Pharma TRI holds firm with steady demand and strong exports, posted a 12-month return of +4.3%. Recent losses have made valuations attractive, offering stability and long-term growth.
- The Nifty 50, continues to show resiliency. A secure long-term investment with less volatility and wide market exposure would be beneficial.
- The IT industry is dealing with worldwide challenges and frugal customer spending. The concept of long-term digital change, however, is still present. When it comes to selective purchasing, they are good to hold.

- In FY25, mutual funds saw modest gains despite a sharp Q4 correction, with Focused (+3.1%) and Mid Cap Funds (+3.0%) leading annual returns. Small Caps lagged, ending the year at -2.6%. Q4 saw broad declines across categories due to election jitters and global uncertainty. FY26 may favor large caps and diversified strategies amid expected market volatility.
- Mid and Focused Funds emerged as the top performers in FY25, delivering +3.0% and +3.1% respectively, despite Q4 corrections of over 11%. Large Cap Funds held steady with a +1.4% annual return, reaffirming their safe-haven status amid volatility.
- Dividend Yield and Value/Contra Funds underperformed, with limited upside, as markets shifted focus from income and defensive themes to quality and growth strategies.
- In the Large & Mid Cap category, 23 of 31 schemes outperformed. DSP Equity Opportunities Fund led with 15.2% returns, while Quant Large & Midcap Fund lagged with 8.8% in FY25.
- Small Cap Funds saw a steep -19.6% drop in Q4, ending FY25 in the red at -2.6%, signaling heightened investor caution. Large & Mid Cap Funds and Flexi Cap Funds stayed afloat with modest gains of +2.3% and +1.1%, despite double-digit Q4 declines.

Equity Mutual Fund Category wise Performance (in %)

Category	1M	3M	6M	1Y
Large Cap Funds	-4.2%	-10.1%	-13.7%	1.4%
Mid Cap Funds	-6.3%	-15.5%	-17.9%	3.0%
Small Cap Funds	-7.7%	-19.6%	-20.5%	-2.6%
Large & Mid Cap Funds	-5.5%	-13.4%	-16.3%	2.3%
Multi Cap Funds	-5.7%	-13.9%	-16.7%	1.2%
Flexi Cap Funds	-5.1%	-12.6%	-15.2%	1.1%
Focused Funds	-4.3%	-11.5%	-14.0%	3.1%
Value / Contra Funds	-5.0%	-12.5%	-16.1%	1.2%
Dividend Yield Funds	-4.8%	-12.0%	-16.7%	0.1%

(Data as on 28th February 2025, Source: Bloomberg, AMFI)

Sector in Focus: Navigating the Next Quarter

1. Healthcare Industry:

- India's hospital market was valued at US\$ 98.98 billion in 2023, projected to grow at a CAGR of 8.0% from 2024 to 2032, reaching an estimated value of US\$ 193.59 billion by 2032.
- The Indian healthcare market is projected to reach \$638 billion by 2025, up from \$372 billion in 2023, reflecting a 22.5% CAGR since 2016.
- The government has allocated Rs. 99,858 crore to the healthcare sector in the Union Budget 2025-26 for developing, maintaining, and enhancing the country's healthcare system. This reflects a 9.78% increase from the previous allocation of Rs. 90,958 crore in FY25.

2. BFSI Sector:

- The transformative measures announced in the recent budget 2025 are poised to reshape India's financial ecosystem for the BFSI sector, that is expanding from FDI in insurance to enhancing financial inclusion through streamlined KYC processes and infrastructure financing initiatives.
- Despite a moderation in GDP growth to 6.5%, credit growth is anticipated to rebound from 11% to approximately 13–14%, supported by the Reserve Bank of India's (RBI) accommodative monetary policies.
- With credit growth outpacing deposit growth, banks are experiencing a tightening of the loan-to-deposit ratio. This scenario may compel banks to seek alternative funding sources to meet credit demand.
- As per the report 'Banking for a Viksit Bharat at FIBAC 2024', India's ambition to achieve a \$30 trillion GDP by 2047 will require a 20 times growth in the financial services sector, with banks playing a pivotal role.

3. FMCG Sector:

- FMCG firms are projected to register a 5% revenue increase in Q4 FY25, a slight uptick from 4% in Q3. This growth is primarily driven by volume rather than price hikes, as companies strive to maintain affordability amid inflationary pressures.
- Urban demand has softened, especially in the mass-market segment. Factors such as high food inflation and stagnant wage growth have led to cautious spending among middle-class consumers.
- Conversely, rural consumption is showing signs of recovery, buoyed by a favorable monsoon and stable food prices. Notably, rural areas surpassed urban growth for the first time in five quarters during Q1 2024.

Sector in Focus: Navigating the Next Quarter

4. Manufacturing & Infrastructure Sector:

- India is doubling down on its production-linked incentive scheme by expanding it to the electronics sector, with the government pledging to spend \$2.7bn to attract global and domestic investment and to boost manufacturing of components.
- In the Union Budget 2025-26, capital investment outlay for infrastructure has been increased to Rs. 11.21 lakh crore (US\$ 128.64 billion), which would be 3.1% of GDP.
- In the Union Budget 2025-26, the government has decided to allocate Rs. 2.87 lakh crore towards the Ministry of Road and allocated the record CAPEX of Rs. 2,65,200 crore for Railways.

5. Information Technology:

- The IT sector in India continues to be a critical pillar of the economy, though it's navigating a mix of opportunities and challenges. Here's a snapshot of the current landscape.
- Geopolitical Risks: Global uncertainty, especially around U.S.-China tensions and the upcoming U.S. elections, affects decision-making in tech spending.
- Slowdown in Western Economies: U.S. and Europe, key markets for Indian IT exports, are showing signs of spending cuts, delaying large deal closures.

6. Automobile Sector:

- In FY2025, domestic carmakers reported a 2% year-on-year increase in wholesale dispatches to dealers, totaling a record 4.3 million units. This marks the slowest growth in at least four years, following more robust increases of 12% in 2022 and 27% in 2023.
- SUV sales rose by 14% in 2024 and accounting for 56% of the market. This trend reflects a consumer preference for larger vehicles, even as the overall passenger vehicle market grew by only 5%.
- Electric vehicles accounted for approximately 2.5% of car sales in 2024, indicating a gradual adoption rate. The Indian government plans to develop 6,000 km of electric vehicle-ready highways along the Golden Quadrilateral, promoting sustainable transportation.

Economic Watch: What's Moving Your Money

RBI Cuts Rate, Adopts Accommodative Stance Amid Global Risks:

In April 2025, the RBI's MPC cut the repo rate by 25 bps to 6.0% and shifted its stance to "accommodative" to support growth amid easing inflation and rising global trade uncertainties. GDP growth for FY26 was revised down to 6.5% (vs. 6.7% earlier), with external analysts expecting 6.2%. Inflation is projected at 4.0%, aided by falling food and commodity prices. Liquidity conditions have improved, with RBI injecting ₹8.2 lakh crore through multiple tools. However, global risks—including US tariffs on Indian exports and volatile capital flows—pose downside risks to growth and currency stability. The RBI may cut rates further if global conditions deteriorate.

Industrial Output Slows to 2.9% in February 2025:

India's Index of Industrial Production (IIP) growth declined to a six-month low of 2.9% in February 2025, led by slower growth in manufacturing (2.9%) and mining (1.6%), despite a rise in electricity output (3.6%). Nine out of 23 manufacturing sub-sectors contracted, with notable weakness in export-oriented segments like apparel and leather goods.

Consumption remains uneven—consumer durables grew by 3.8%, but non-durables contracted by 2.1%, signalling persistent weakness in urban demand. On the investment side, capital goods output remained strong at 8.2%, supported by public infrastructure spending. However, global trade uncertainties continue to weigh on private investment sentiment.

Looking ahead, rural consumption is expected to benefit from strong agricultural performance and a normal monsoon, while RBI's recent rate cuts and moderating inflation could offer some support to industrial recovery.

IPO Radar: Big Debuts of Q4

Hexaware Technologies Ltd.

A leading IT services company, recently returned to the stock market with an initial public offering (IPO). The IPO was a full offer for sale by its parent company, marking its re-entry after being privately held for a few years. The listing received a positive response from investors and symbolized the company's renewed growth ambitions in the public space.

Ajax Engineering Ltd.

It is a maker of concrete equipment, recently entered the stock market with an IPO. It was a full offer for sale by existing shareholders, meaning the company didn't raise new capital. The market response was modest, and the shares listed at a discount, signaling cautious investor sentiment.

Stallion India Fluorochemicals Ltd.

Stallion's debut attracted speculative interest thanks to its presence in the specialty chemicals space, a sector consistently favored for its high-margin potential and export-oriented business model. While initial gains were strong, post-listing correction suggests cautious investor sentiment.

Capital Infra Trust

It is backed by Gawar Construction, recently launched its IPO to fund road asset acquisitions. It included both fresh shares and an offer for sale. While anchor investors showed interest, the overall market response was cautious, and the stock listed slightly below its issue price.

Laxmi Dental Ltd.

Positioned within the growing healthcare and medical devices segment, Laxmi Dental received overwhelming subscription. The IPO reflected optimism around the expanding oral healthcare market and India's emergence as a manufacturing hub for medical technology.

The Trade War Factors

Impact of US Tariffs on the Global Economy

The U.S. has raised its average effective tariff rate to 23%, the highest since the 1930s, by imposing a 10% base tariff across all nations and reciprocal tariffs up to 49% on 60 countries. Additionally, a 25% tariff now applies universally to autos and auto parts, destabilizing the \$1.2 trillion global auto trade.

- According to the World Bank, a 10% rise in global tariffs could slash global trade volumes by 15%, disproportionately affecting emerging markets. The IMF estimates that this would lead to a 1% decline in global GDP, equal to a \$1.2 trillion loss by 2025.
- As per The Guardian, the WTO revised global trade growth expectations from +2.7% to a -0.2% contraction due to rising protectionism.

Following Export-dependent countries face significant GDP losses:

- Vietnam: GDP decline of 1.8–2.2% (\approx \$15–18 billion).
- Cambodia: GDP fall of 2.5–3.0% (\approx \$1.2–1.5 billion).
- China: A 34% U.S. tariff on its \$427 billion exports could trigger major retaliatory tariffs, repeating the \$100 billion trade loss suffered during the 2018–2020 U.S.-China trade war.
- Japan: A 24% tariff on \$55 billion auto exports could cause an \$11 billion loss.
- EU: A 20% tariff on \$53 billion exports threatens an \$8 billion loss.
- Turkey: A 10% tariff on \$14.6 billion in exports could mirror its 40% drop in bilateral trade seen in 2018.

These tariffs threaten to derail global supply chains and investment flows. The uncertainty and rise in protectionism also affect investor sentiment, leading to capital flight to safer assets like U.S. Treasuries (inflows of \$130 billion in Q1 2024), thereby exerting pressure on emerging market currencies.

The cascading effect could shrink global industrial production, discourage cross-border investments, and raise inflation due to disrupted supply chains.

The Trade War Factors

Impact on Indian Economy :

On 2 April 2025, the United States announced a new tariff regime under an executive order aimed at correcting trade imbalances and safeguarding national economic security. This includes a base 10% ad valorem tariff effective 5 April 2025 on nearly all imports, excluding goods under the USMCA. Further, beginning 9 April 2025, an additional layer of country-specific tariffs was introduced for 57 nations, including a 26% tariff on Indian imports.

Affected sectors by Tariff :

- IT and software: Costlier outsourcing due to visa and tax barriers and global growth concerns.
- Pharma: Export challenges in the US market.
- Textiles: Reduced demand and job impact.
- Auto: Higher production costs due to steel and aluminium tariffs.
- Agriculture: Farmers hit by lower exports.
- Several large domestic sectors -Financials ,Auto,Infrastructure,Capital goods and cement can still perform well if there are supportive policies from the Government and RBI.
- Exemptions apply to pharmaceuticals, steel, copper and energy sectors but there is still risk.

India can fight back the tariffs by :

- Diversifying Exports: Expanding into Europe, Africa, and ASEAN.
- Trade Agreements: Partnering with UAE, UK, and other nations.
- Boosting Domestic Manufacturing: Production-linked incentive (PLI) schemes for electronics, textiles and automobiles.

The US announced the suspension of additional tariffs on India for 90 days until July 9 .An unexpected pause on reciprocal tariffs by the US provided relief in the midst of the uncertainty. Any development in the bilateral trade negotiations can alter the near-term outlook on the export-driven sectors.

Fixed Income Forecast

- **CPI Inflation:** CPI inflation averaged 3.73% in Q4 FY25, well within the RBI's 2–6% target range, creating room for potential rate cuts. The decline was supported by easing food and fuel prices.
- **RBI Policy:** The RBI cut the repo rate by 25 bps each in February and April 2025, bringing it to 6%. It is expected to hold steady through, with further easing likely in H1 FY26 as the policy remains data dependent.
- **GDP Growth:** India's GDP is projected to grow at 6.4% in Q4 FY25, supported by strong demand, capex, and services, with rural recovery adding momentum.
- **External Sector:** Q4 FY25 saw a \$5.7B current account surplus; forex reserves rose to \$686.15B. Stable flows support external strength.
- **Bond Market:** 10-year G-Sec yield may range 6.30–6.60%; corporate yields steady amid tight spreads. Strong demand keeps yields in check.
- **Investment Strategy:** Favor medium to long-duration, high-quality bonds to capitalize on potential capital gains and stable returns. Anticipated rate cuts could further enhance bond prices.

Commodity Price Outlook

- **Crude Oil (Brent):** Brent crude settled at \$64.67/barrel, lower than expected, on account of soft global demand and elevated U.S. inventories; outlook is volatile but range-bound.
- **Gold:** Gold in India hit a record high of ₹95,330 per 10 grams due to safe-haven demand amid global tensions. While the outlook remains bullish, some price corrections may occur.
- **Copper:** Copper declined to \$9,094/MT due to concerns over U.S.-China trade tensions and weakening global growth.
- **Aluminium:** Aluminium dropped to \$2,333.5/MT due to slack demand and slowdown concerns in Europe and China; investor mood is apprehensive.
- **INR/USD Exchange Rate:** The Indian rupee traded around ₹85.72/USD, with expectations of staying range bound between ₹85/USD and ₹86/USD. This stability is supported by lower inflation, steady crude oil forecasts, and RBI's ongoing intervention.

(Rates as of 15th April 2025)

Global Market Snapshot

Global Economic Outlook – Q4 FY2025: Navigating Steady Currents Amid Structural Drags

Growth going forward: As of April 2025, the International Monetary Fund (IMF) has revised its global economic growth forecast downward due to escalating trade tensions and policy-induced uncertainties. IMF has given global GDP forecast for FY 2025 at 2.8% and FY 2026 at 3.0%.

- United States: Growth is projected to slow to 1.8% in 2025, down from 2.8% in 2024, reflecting the adverse effects of the new tariff regime .
- China: The growth forecast has been lowered to 4.0% for 2025, influenced by weakened domestic demand and ongoing challenges in the housing sector .
- Euro Area: Expected to expand by 1.3%, constrained by structural issues and subdued consumer spending.

Developed Market Performance

	1M	3M	6M	12M
MSCI World	-4.1%	-1.7%	-2.9%	5.6%
MSCI DM	-4.6%	-2.1%	-2.5%	5.6%
US(S&P)	-5.8%	-4.6%	-2.6%	6.8%
Nasdaq	-7.7%	-8.3%	-3.9%	5.6%
Japan	-0.9%	-4.5%	0.5%	-4.0%
France	-4.0%	5.6%	2.0%	-5.1%
Germany	-1.7%	11.3%	14.7%	19.9%
UK	-2.6%	5.0%	4.2%	7.9%
South Korea	-2.0%	3.4%	-4.3%	-9.7%

Emerging Market Performance

	1M	3M	6M	12M
MSCI EM	-3.2%	7.2%	4.9%	4.2%
Brazil	6.1%	8.3%	-1.2%	1.7%
MSCI Golden Dragon	-3.0%	3.6%	-0.5%	24.7%
India	6.3%	-0.5%	-8.9%	5.3%
China	-0.1%	-1.2%	-3.2%	9.9%
Indonesia	4.4%	-11.1%	-21.8%	-25.5%
Mexico	0.3%	6.0%	0.0%	-8.5%
South Africa	3.1%	5.4%	2.4%	18.9%
Russia	0.0%	0.0%	0.0%	1.3%

(Data as on 31st March 2025, Source: Bloomberg)

Challenges: The IMF highlights several structural challenges impeding global economic growth. Notably, total factor productivity (TFP) growth remains subdued, and investment levels are below historical norms. Demographic shifts, particularly aging populations, are reducing labor force participation, while geopolitical tensions and trade fragmentation are contributing to economic uncertainty. To address these issues, the IMF emphasizes the importance of implementing structural reforms, enhancing global cooperation, and fostering policy innovation to boost productivity and achieve inclusive, sustainable growth.

Insurance Market Outlook

1. Rebalancing in Pricing Discipline

- The industry is shifting towards risk-based pricing, following a phase of unsustainable discounts ranging from 50% in fire and engineering policies after the May 2024 free-pricing reform.
- In reaction to underwriting losses, insurers have raised premiums by 40%–60% in 2025 to reflect real risk exposures. This has led to a renewed focus on actuarial assessments and data-driven underwriting models.

2. Business Impacts

- Energy, manufacturing, and infrastructure sectors, which are capital-heavy, are now seeing their premiums increase by ₹3–5 crore per annum, which could impact margins and capital planning.
- SMEs, who represent 30–35% of commercial insurance needs, are under strain—many are cutting back on coverage or postponing renewals, making them more exposed to risk. As a result, brokers and insurers are increasingly offering modular and usage-based products to maintain engagement.

3. Market Stabilization in Progress

- Global reinsurers, who had been raising eyebrows following 2024's catastrophe claims, are now exhibiting renewed confidence thanks to more realistic pricing.
- Reinsurance capacity is on the mend, and Indian insurers' retention rates have risen from 60% in FY24 to 70% in FY25, reflecting a healthier risk-sharing and retention balance.
- General insurers' solvency margins have strengthened by 15–20 basis points, supporting long-term sector stability. This signals a gradual normalization in capital markets' confidence toward Indian general insurers.

4. Overall Outlook

- In 2025, India's insurance industry is undergoing a necessary correction, shifting from competitive discounting to sustainable, risk-based pricing. This transition is restoring underwriting discipline and insurer solvency.
- Although businesses and policyholders face short-term cost pressures, especially during renewals, the long-term outcome will be a stronger insurance ecosystem with better coverage, stronger reinsurance partnerships, and improved capacity to handle future catastrophes.

Lending and Mortgage: A Factor

MSMEs are the backbone of the Indian economy, playing a key role in employment generation, manufacturing output, and exports. They are categorized based on their **investment in plant and machinery/equipment** and **annual turnover**, as per the **MSME Development Act, 2006**.

The Union Budget 2025–26 introduces significant amendments to support the growth and resilience of Micro, Small, and Medium Enterprises (MSMEs) in India. Key changes include:

Revised MSME Classification in India: Effective April 1, 2025

Type of Enterprise Investment in Plant & Machinery/Equipment Annual Turnover		
Category	Investment Limit (₹)	Turnover Limit (₹)
Micro	Up to 2.5 crore	Up to 10 crores
Small	Up to 25 crores	Up to 100 crores
Medium	Up to 125 crores	Up to 500 crores

Positive Impacts of the Changes

- Wider Inclusion:** Many enterprises that were earlier outside the MSME ambit now qualify which encourages formalization and access to support systems.
- Unified Framework:** No distinction between manufacturing and services makes classification simpler.
- Boost to Growth-Stage Enterprises :** Enterprises can scale up without the fear of losing MSME benefits which encourages reinvestment and growth without regulatory penalty.
- Better Access to Benefits :** Larger pool of enterprises now eligible for Priority sector lending, Credit guarantees, Subsidies and government tenders.

Economic Impact

- **Credit Growth:** NBFCs and banks saw a broader lending base.
- **Formalization:** More registrations on the Udyam portal post-reclassification.
- **Innovation and Competitiveness:** Encouraged medium enterprises to innovate and digitize .
- **Exports:** Medium businesses—now included—have boosted MSME contribution to exports.

Private Equity AIFs: The New Pillar in India's Wealth Landscape

The Rise of India's Startup & Growth Economy

- India is home to a booming startup ecosystem — PE AIFs give investors access to companies before IPO, where the real wealth is built.
- These funds often provide: **Seed capital, Venture capital, Early-stage funding, Growth-stage funding, Mezzanine Financing, and Pre-IPO capital.**
- **Strategic Exposure to Innovation:** PE AIFs allow investors to participate in disruptive technologies and business models shaping future industries.
- **Long-Term Capital Appreciation:** By entering early in the growth cycle, investors can unlock higher returns as companies scale and mature toward public listing or acquisition.

Type of Investors suitable for PE and VC fund are the HNI and family office community in India and Institutional Investors

Investors are moving from just "returns" to strategic exposure like :

- Sector-specific funds (tech, healthcare, infra, real estate PE).
- Thematic private equity ,Impact investing, EV, CHIP making etc
- Experienced fund managers who co-invest in the same fund alongside investors.

Returns Potential

- Traditional equity mutual funds are having expected returns in the range of 12–15% whereas PE AIFs are having target return of 18–25% IRR over a 5–7 year horizon while taking higher risk.
- Investors get direct access to India's entrepreneurial growth engine, especially in the pre-IPO space and at many stages. Single holding exposure are also flavour of the market which the investors are looking for.

Wealth Management Shift

- Private banks, wealth firms, and RIA outfits are increasingly allocating 10–20% of client portfolios to AIFs (depending on risk appetite) as part of a "core + satellite" strategy.
- This trend is institutionalizing private equity investing in India, much like in the U.S. and Europe.

Rise of Fixed Income / Debt Alternatives

A Debt AIF is an investment fund structured to lend directly to companies or invest in debt securities typically non-convertible debentures (NCDs), structured credit, mezzanine financing, stressed assets, or special situation opportunities.

Unlike mutual funds, AIFs are not open-ended and have a specific tenure, strategy, and lock-in period. Debt AIFs sit outside the usual public debt markets and mostly invest in private credit.

Regulatory Framework

- SEBI regulates AIFs in India under the SEBI (Alternative Investment Funds) Regulations, 2012.
- Debt AIFs fall under Category II AIFs.
- Minimum investment: ₹1 crore (for most investors).
- Lock-in period: Typically 3 to 7 years, depending on the strategy.

Why do people invest in Debt AIFs?

- Higher yields than traditional bonds or fixed deposits.
- Access to private credit markets not available to retail investors.
- Portfolio diversification away from listed securities.
- Some structures offer secured exposure to reduce downside risk.

Risks related to Debt AIFs:

- Credit risk — companies where the AIFs invest could default.
- Liquidity risk — AIFs are not freely tradable like mutual funds.
- Concentration risk — There are fewer borrowers compared to mutual funds.
- Complex structures — Debt AIFs are not simple to evaluate for the retail and new investors.

Debt Fund AIFs cannot use investor money to give loans and they can only invest in debt instruments that are already issued. These funds must register with SEBI before operating, follow investment restrictions, diversification norms, and leverage limits.

The fund must comply with SEBI's risk and transparency regulations. They submit regular reports to SEBI for transparency and undergo independent audits to ensure compliance.

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Kaima Wealth App*



Kaima Asset Private Limited

*Corporate Office: SpaceJam, 3rd Floor,
SCO 50-51, Sec 34 A, Chandigarh - 160022*

*Registered Office: #466, Ludhiana Stock
Exchange and Capital Building, Feroze
Gandhi Market, Ludhiana 141001*

Contact :

Email: info@kaimaassets.com

Web: www.kaimaassets.com

Phone: +91-96152-96252