The India Fund, Inc.

Quarterly Commentary

Quarter ended September 30, 2024

Fund performance

The Fund rose 7.61%[1] in US dollar terms, outperforming the benchmark by 18 basis points (bps). On a year-to-date basis, the Fund was up 31.73%, ahead of the MSCI India[2] by 473bps.

Stock picking in the financial sector was the largest contributor to relative performance. In particular, our off-benchmark position in financial services firm KFin Technologies traded higher following good results that were supported by a strong domestic equity market performance and steady flows into mutual funds. This is a relatively new initiation into the portfolio in the small-cap space. We have been very selective in the small- and mid-cap segments of the market due to stretched valuations.

While KFin is not relatively cheap, we could see multiple tailwinds supporting it such as growth in domestic assets under management, buoyant capital markets and growth opportunities overseas, as well as strong execution. In contrast to many small cap-stocks, KFin cleared our quality criteria with good management, a net cash balance sheet, healthy margins and returns and a strong market position with sustainable sources of competitive advantage. To reflect our growing conviction in the company and its prospects, we proactively scaled up the position and have been well rewarded in the stock's recent performance.

We took a similar approach with Aegis Logistics, in that we scaled up the position in view of our high conviction, but over the quarter the position went against us, turning into the biggest single stock detractor. Still, we retain that high conviction, aware that small-cap stocks are inherently more volatile than large-cap names. Given our long-term approach, we are prepared to weather the volatility and have maintained the position.

Our core holding in SBI Life Insurance outperformed after reporting good results with annual premium equivalent growth in the high-teens, higher than the previous year's average. Within the banking sub-sector, our holdings in higher quality private lenders proved more resilient, outperforming the lower quality state-owned peers on market concerns over the outlook for the interest rate cut cycle and its impact on deposit costs.

Reliance Industries was the biggest single stock contributor to relative performance. The index bellwether has been weak on soft gross refining margins while its retail business growth has slowed over the last few quarters. We do not hold the name, or any of its subsidiaries, on corporate governance grounds while capital allocation concerns, including investments into its new energy ventures, remain unchanged.

We hold alternatives to Reliance, including in the telecommunication services space where Bharti Airtel and its subsidiary, Bharti Hexacom, were among the best performing stocks. Both telco names are supported by strong fundamentals, including an improving balance sheet and gaining momentum in non-cellular businesses, and on expectations of further tariff increases to come.

Following the Indian parliamentary election in June, Airtel, along with other telecom operators, raised mobile tariffs for the first time in three years. Company management emphasised that tariff adjustments are essential for maintaining the industry's health. This has been in line with our investment thesis that consolidation and rational competition would pave the way for tariff increases in the Indian telecom sector, particularly given that data prices are exceptionally cheap compared to other markets.

Meanwhile, healthcare cost us some performance as Global Health (Medanta) corrected due to slower-than-expected margin ramp-up at some of its developing hospitals, partially offsetting the positive performance at its mature hospitals.

[1] Past performance is no guarantee of future results. Investment returns and principal value will fluctuate and shares, when sold, may be worth more or less than original cost. Current performance may be lower or higher than the performance quoted. Net asset value return data include investment management fees, custodial charges and administrative fees (such as Director and legal fees) and assumes the reinvestment of all distributions.

[2] The MSCI India Net Index is an unmanaged index considered representative of the Indian stock market. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index.

For current holdings information, please visit **The India Fund, Inc. - Portfolio Holdings**

This was partially mitigated by outperformance from Vijaya Diagnostic Centre, which reported good results including high-teens organic revenue growth that is well ahead of the industry.

Our holdings in real estate fell on profit-taking following a strong run year to date, including developers Godrej Properties and Prestige Estates. We continue to maintain a high active weight to the sector as it is undergoing a long overdue recovery, and we see a plethora of tailwinds. To that effect, we introduced a new real estate name, Brigade Enterprises, with businesses in the residential, office, retail and hospitality segments.

Within consumer discretionary, not holding online food delivery platform Zomato and retail company Trent cost us in relative performance. We have been selectively adding to the sector over the quarter as valuations are looking stretched, hence, we are treading with caution and remain relatively lightly positioned here. However, we continue to work on idea generation in the sector.

Overall, the underlying fundamentals of the portfolio remain sound, and our companies continue to report relatively healthy earnings growth. We continue to actively position the Fund around best ideas and have introduced several quality names in attractive growth sectors, including a consumable medical devices manufacturer.

Cumulative and annualized total return as of 09/30/24 (%)

	NAV	Market Price	MSCI India Index (Net TR)
1 month	2.35	4.11	2.11
3 months	5.46	9.35	7.29
Year to date	23.42	12.05	25.41
1 year	38.03	20.37	40.33
3 years (p.a.)	7.08	8.08	11.64
5 years (p.a.)	11.57	12.21	16.46
10 years (p.a.)	9.28	9.40	9.97
Since inception (p.a.)	9.53	9.01	n/a[3]

[3] There is no since inception figure for the MSCI India Index (Net) because the inception date of the Index is December 29, 2000.

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Market review

Indian equities rose over the quarter, outperforming developed markets but lagging global emerging markets and the Asia-Pacific ex Japan region. The MSCI India Index climbed 7.41% in US dollar terms, with all sectors gaining except energy, industrials and real estate.

The US Federal Reserve's half-point rate cut in early September followed by China's announcement of aggressive stimulus measures drove market sentiment as investors rotated into the regional laggards, including China.

India's new coalition government released its first budget in July where fiscal consolidation was on track and capital for infrastructure development remained robust, albeit with some moderation in growth. There were also efforts outlined to plug gaps around consumption, rural demand and employment.

GDP growth for the June quarter slowed to a 15-month low of 6.7%. Multiple factors were a drag, including lower government expenditure due to elections, higher input costs, an extreme summer, demand fluctuations and a relatively higher base than the previous year. India still remains one of the world's fastest growing major economies, with the Reserve Bank of India (RBI) keeping its full-year growth estimate unchanged at 7.2%. Inflation fell in August to its second-lowest level in five years, and below the central bank's medium-term target of 4%. The RBI has kept the repo rate unchanged for over a year.

Activity

We initiated a position in Poly Medicure, a manufacturer and supplier of consumable medical devices with a strong history of growing annual revenues. We also added Brigade Enterprises, a real estate company with businesses in the residential, office, retail and hospitality segments and a strong management.

Conversely, we divested Maruti Suzuki, Fortis Healthcare and Container Corporation of India for better opportunities elsewhere.

Outlook

India remains one of the world's fastest-growing major economies, backed by a relatively resilient macro backdrop including a robust infrastructure capex cycle and a real estate boom. Private capex is also rising on the back of positive corporate sentiment. The growth momentum is underpinned by supportive policies and the groundwork laid by a decade of economic reforms.

Still, India faces some near-term and mostly external risks, such as potentially higher global energy prices and a slowdown in the world economy. The key to taking advantage of this market's promise is bottom-up stock picking backed by fundamental research, which aligns well with how we invest.

We expect our core quality holdings to continue to deliver resilient compounding earnings growth over the medium term, regardless of macro conditions. The portfolio's consistency of earnings growth remains healthy and the fundamentals of our holdings, including pricing power, strong balance sheets and the ability to sustain margins, remain solid. Our conviction in the experienced management teams of these companies was affirmed during a recent trip to India where got more clarity about the situation on the ground.

Important information

Past performance is no guarantee of future results.

Closed-end funds are traded on the secondary market through one of the stock exchanges. The Fund's investment return and principal value will fluctuate so that an investor's shares may be worth more or less than the original cost. Shares of closed-end funds may trade above (a premium) or below (a discount) the net asset value (NAV) of the Fund. The net asset value (NAV) is the value of an entity's assets less the value of its liabilities. The market price is the current price at which an asset can be bought or sold. There is no assurance that the Fund will achieve its investment objective. Past performance does not guarantee future results.

Fixed income securities are subject to certain risks including, but not limited to: interest rate (changes in interest rates may cause a decline in the market value of an investment), credit (changes in the financial condition of the issuer, borrower, counterparty, or underlying collateral), prepayment (debt issuers may repay or refinance their loans or obligations earlier than anticipated), and extension (principal repayments may not occur as quickly as anticipated, causing the expected maturity of a security to increase).

International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods; these risks are generally heightened for emerging market investments.

Concentrating investments in the Asia-Pacific region subjects the Company to more volatility and greater risk of loss than geographically diverse funds.

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