

Monthly Communication

March 2025

Market Outlook

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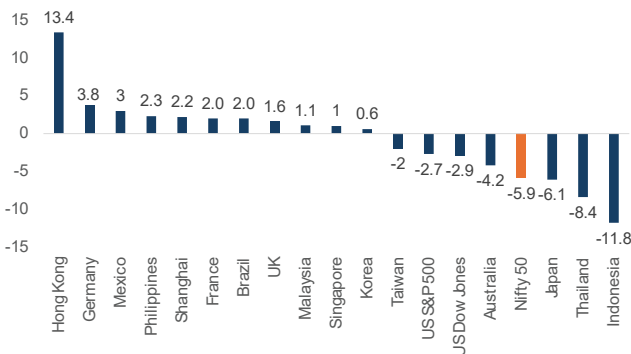
Market Update

Indian equities registered its fifth consecutive monthly loss in February 2025. Sentiment was visibly pessimistic, and losses were widespread. While Nifty index continued decline by 5.9% for the month, the broader markets saw sharper declines with the midcap and small cap indices down 10.8% and 13.1% respectively. All the sectors ended the month in red; with Capital Goods, PSU and Real estate falling the most by 14.4%, 13.5% and 13.4%, respectively.

Key domestic developments included the Union Budget which saw continued government's focus on fiscal consolidation while providing a boost to consumption by way of tax cuts. The RBI started off the rate-cut cycle with a 25-bps cut in repo rate to 6.25%, after being on a pause for 24 months. It also reduced risk weights for bank financing to NBFCs and microfinance loans. BJP won the Delhi legislative assembly elections with 48 out of 70 seats, marking its return to power in the capital after 27 years.

On the investment front, Foreign Portfolio Investors (FPIs) sold \$4.7 billion of Indian equities in secondary market by February 27. Domestic Institutional Investors (DIIs) were net buyers, acquiring \$6 billion worth of stocks by the end of the month. Meanwhile, global markets saw mixed results: Indonesia recorded a significant loss of (-11.8%), while Thailand (-8.4%) and Japan (-6.1%) also experienced declines. On the positive side, markets in Hong Kong (+13.4%), Germany (+3.8%), and Mexico (+3.0%) saw gains.

Global and regional indices 1 Month performance (%)



Source: Bloomberg, Kotak Institutional Equities (Data as on 28th February 2025 in local currency)

Macro Update

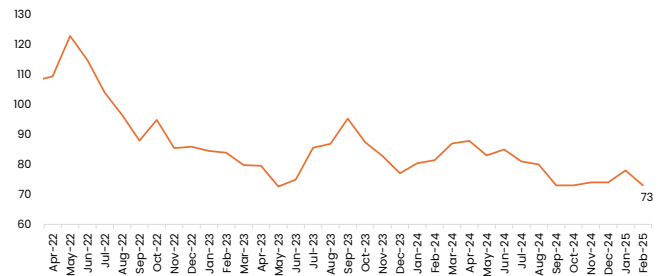
In February, the National Statistics Office (NSO) estimated India's FY25 real GDP growth at 6.5% revising upward from 6.4% as estimated in Jan'25. Inflationary pressures continued easing, with the Consumer Price Index (CPI) falling to 4.3% in January 2025 from 5.2% in December, the lowest YoY inflation since Aug'24. The Wholesale Price Index (WPI) also fell to 2.3% in January YoY, from 2.4% in the previous month. Industrial production registered a 3.2% growth in December, in comparison to 5.2% growth in November.

India's exports grew by 7.2% during the April-January 24-25 period compared to the same months in 23-24, while imports rose by 9%, leading to a trade deficit of \$87.5 billion for the first ten months of FY2025. The country's 10-year government bond

yield ended February at 6.7%, while the USD/INR exchange rate was 87.40. Brent crude oil prices also rose, closing at around \$73 per barrel in February.

Gross GST collections were ₹1.84 lakh crore in February 2025, reflecting a 9.1% rise compared to February 2024, and 9.4% increase year-to-date.

Brent Crude



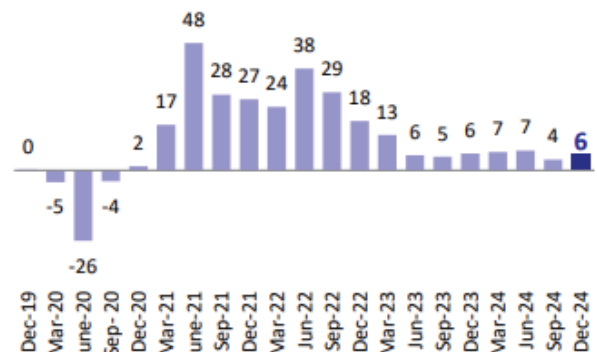
Source: Bloomberg

Earnings Review – 3QFY25

The 3QFY25 corporate earnings season was modest, with BFSI, Technology, Telecom, Healthcare, Capital Goods, and Real Estate contributing positively. Nifty delivered a 5% YoY PAT growth, marking the third successive quarter of single-digit growth since the pandemic. This growth was significantly supported by a few key players, while others negatively impacted the overall performance. The earnings growth was hindered by sectors such as O&G (OMC's profit declined 18% YoY), Cement (-55% YoY), Chemicals (-12% YoY), and Consumer (-5% YoY).

A concerning trend emerged as earnings downgrades outnumbered upgrades, particularly outside the Nifty 50 universe. While the EBITDA margin (excluding Financials) expanded slightly, the gross margin contracted for most sectors. Overall, the 3QFY25 earnings aligned with modest expectations, but the forward earnings revisions are the weakest in recent times, indicating forecasts of potential pressure on future earnings, especially for mid and small-cap companies.

Nifty sales up 6% YoY in 3QFY25



Source: Motilal Oswal Financial Services Limited

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As per SEBI Circular No. SEBI/HO/IMD/DF6/CIR/P/2020/24 dated February 05, 2020, details of industry benchmark and AIF level performance versus Benchmark Reports are available at <https://www.nseindia.com/products-services/aif-benchmark-report> and <https://www.crisil.com/en/home/what-we-do/financial-products/alternate-investment-funds-benchmarks.html>

Compliance Officer details under AIF:

Mr. Biharilal Deora, Tel: 022-68846600

Portfolio Management Services:

You may refer the Disclosure Document available at <https://abakkusinvest.com/investor/disclosures> for detailed disclosures. As per SEBI circular SEBI/HO/IMD/IMD-PoD-2/P/CIR/2022/172 dated December 16, 2022, the comparison of the relative performance of the investment approach with other portfolio managers is available at <https://www.apmiindia.org/apmi/IACompare.htm?action=iacomaprepage>

Principal Officer and Compliance Officer Details under PMS:

Principal Officer: Mr. Aman Chowhan, Tel: 022-68846600

Compliance Officer: Mr. Biharilal Deora, Tel: 022-68846600

Investment Advisory Services:

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