Abakkus
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Monthly Communication

September 2025

www.abakkusinvest.com

Market Outlook

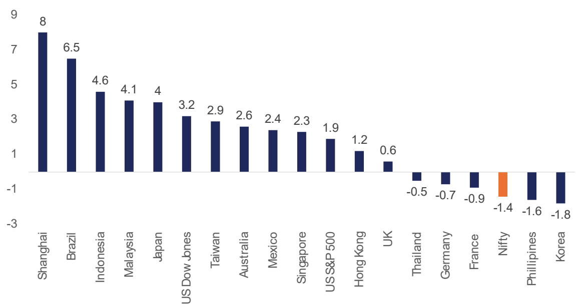
September 2025

Market Update

Indian equities fell for the second consecutive month in August, with the Nifty falling 1.4%. Mid-cap and Small-cap indices underperformed, falling 2.9% and 4.1%, respectively. Most sectors closed in the red, except for Auto (+5.8%), Consumer Durables (+2.0%) and FMCG (+0.2%). Oil & Gas (-4.7%), Power (-4.6%) and Real estate (-4.5%) were the worst-hit sectors. Globally, India ranked among the top underperformers alongside South Korea (-1.8%) and the Philippines (-1.6%); while Shanghai (+8.0%), Brazil (+6.5%), and Indonesia (+4.6%) emerged as the best-performing markets. Foreign Portfolio Investors (FPIs) continued to be sellers offloading $4.3 billion worth of Indian equities, while Domestic Institutional Investors (DIIs) remained net buyers, investing $10.8 billion in the secondary market.

Sentiment in the market remained cautious following the implementation of steep US tariffs (25%+25%) on Indian goods. However, consumption-oriented sectors saw a rally on the government's plan for rationalization of GST rates. Global equity markets rose on optimism of a US Federal Reserve rate cut on the back of Jerome Powell's Jackson Hole speech. Divergent monetary policies among major central banks, and persistent geopolitical tensions fueled investor caution and volatility, driving investments in gold & silver.

Global and regional indices 1 Month performance (%)



Source: Bloomberg, Kotak Institutional Equities (Data as on 31st August 2025 in local currency)

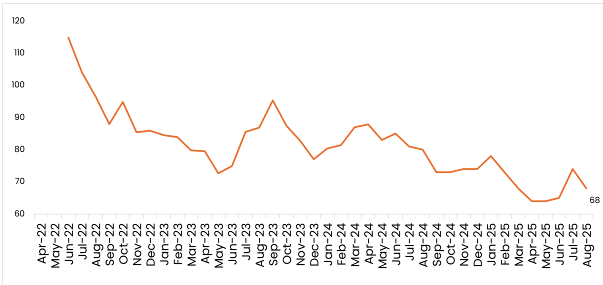
Macro Update

GDP growth in India came at a surprising 7.8% in Q1FY26 as against 6.5% growth In Q1FY25. Inflationary pressure continued to ease with the Consumer Price Index (CPI) falling to 1.6% in July 2025 from 2.1% in June, the lowest YoY inflation since June 2017. The Wholesale Price Index (WPI) in July 2025 was -0.58% YoY from 0.13% in the previous month. Industrial production (IIP) registered a 3.5% growth in the month of July, in comparison to 1.5% growth in June. India's total exports grew by 5.2% during Apr-Jul'25 vs Apr-Jul'24 exports, while total imports rose by 4.3%, leading to a trade deficit of $31.3 billion during the period as against $32.5 billion deficit for the same period, a year ago.

The country's 10-year government bond yield ended July at 6.58%, while the USD/INR exchange rate hit an all-time high of 88.2. Brent crude oil prices rose in July closing at $68 per barrel. Gross GST collections amounted to ₹1.86 lakh crore in August 2025, reflecting a 6.5% rise compared to August 2024 whereas the Net Collections (amount after adjusting refunds) stood at ₹1.67 lakh crore, growing 10.7% YoY. Gold & silver continued their rally reaching new all-time high amid market certainties.

Key Domestic Developments include Central Bank (RBI) keeping repo rate unchanged in its MPC Meet, S&P Global upgraded India's sovereign rating from BBB-to BBB while maintaining a stable outlook. PM Modi's visit to Japan & China aimed to strengthen the ties amid the Trump tariffs.

Brent Crude

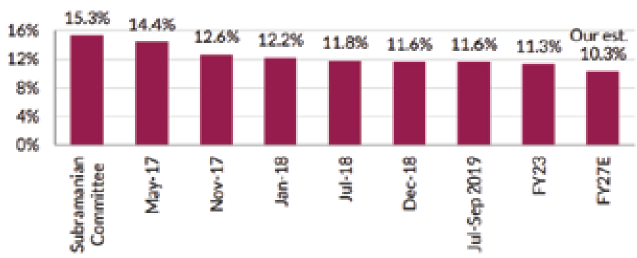


Source: Bloomberg, Kotak Institutional Equities

GST 2.0 – Simplified Three Tier Structure

The GST Council's recent overhaul marks a major shift toward a **simpler, consumption-driven tax regime,** streamlining rates to **5% and 18%,** with a steep **40% GST on luxury and sin goods.** Effective from **22 September,** this reform aligns with the festive season and signals a push to boost domestic demand amid global uncertainties. Essentials like **FMCG, insurance, and fertilizers** now attract lower rates, while the overall **effective GST rate has dropped by ~1 percentage point,** as shown in the chart below. Despite a projected revenue loss of ₹93,000 crore, gains from higher slabs and improved compliance are expected to offset it, keeping the reform **fiscally neutral.** With strong GDP momentum, the **RBI is likely to hold rates steady,** reinforcing confidence in India's growth outlook.

Weighted average (effective) GST rate

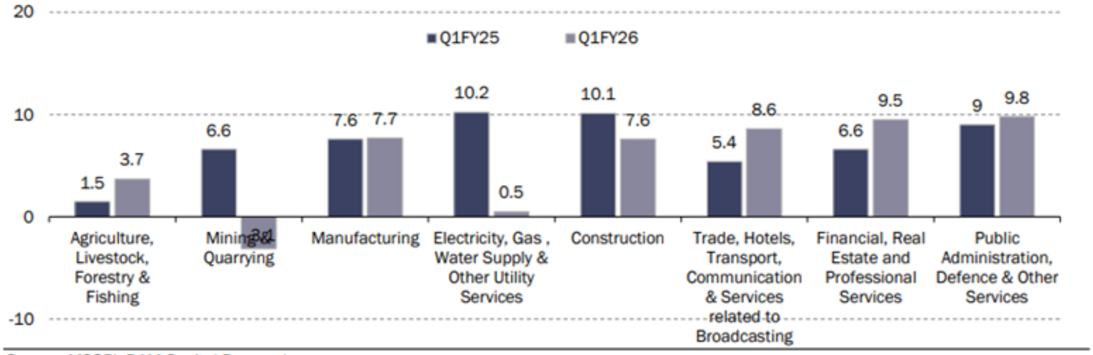


Source: Finance Ministry, RBI, GST RNR Committee, Axis Bank Research estimates

GDP Growth:

India's **Q1FY26 GDP growth** rose to **7.8%,** driven by strong agriculture and mining performance, and supportive government spending. Compared to **Q1FY25,** sectoral gains were visible in agriculture (3.7% vs 1.5%) and mining (7.4% vs 6.6%), while some services moderated. With reforms like **GST 2.0** and fiscal support, **FY26 GDP is now projected at 6.9**, reflecting a positive growth outlook.

GDP Sectoral Growth Comparison: Q1FY25 vs Q1FY26



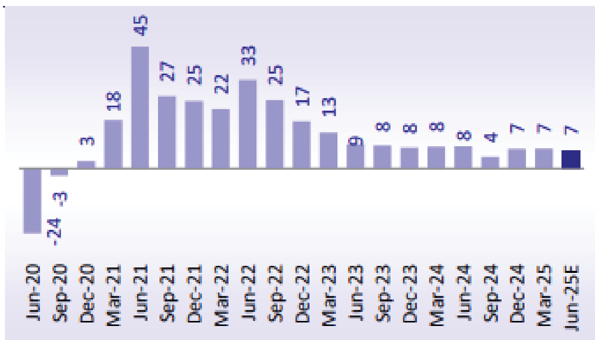
Source: MOSPI, DAM Capital Research

Earnings Review – 1QFY26

In Q1 FY26, the Nifty universe posted a modest earnings growth of **8% YoY**, marking a transitional "crossover quarter" from the subdued FY25 performance to a more optimistic FY26 outlook. The quarter was marked by a bottoming-out of the earnings downgrade cycle, with several sectors showing resilience despite macro uncertainties. At a broader universe level, corporate earnings grew by a higher **11% YoY**.

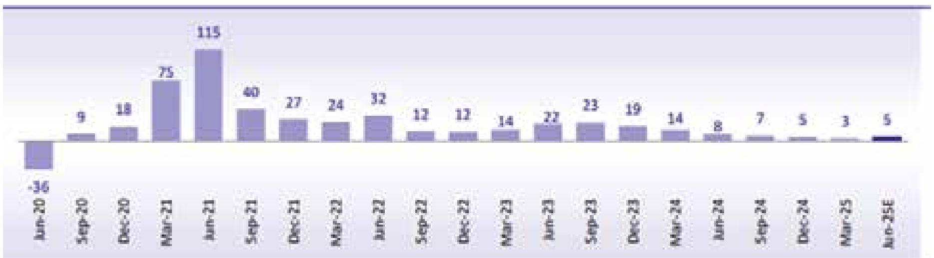
1Q earnings were primarily driven by broad-based growth, with significant contributions from key sectors such as O&G, NBFCs, Cement, Retail and Real Estate. In contrast, Pvt. Banks, Automobile and Infra dragged down overall earnings growth. Overall, the quarter showed improving sectoral breadth, setting the stage for stronger earnings in the coming quarters

Nifty 50 sales up 7% YoY in 1QFY26



Nifty 50 EBITDA up 6% YoY in 1QFY26

1QFY26 Nifty 50 PAT up 5% YoY



Source: Motilal Oswal Financial Services Limited

Market Outlook

While uncertainty over US-India relations and high tariff on Indian exports to US continues, many other factors are turning favorable. After a big income tax cut (almost Rs 1,00,000crs p.a.), we have an almost similar amount of relief by way of lower GST rates. The reduction in interest rates will also lead to lower EMI payments and further disposable cash flows in the hands of people. Monsoons across the country have been good and should help in higher rural incomes. With the infusion of liquidity by RBI, we believe that we are heading into a very optimistic second half for FY26 and beyond. We reiterate our view from last month: "Our view is that the concerns witnessed over the last one year, both fundamental as well as news flow based, are almost 70/80% behind us. We are getting constructive as we believe that the tariff issue sorting is in the last phase and both economic growth as well as corporate profit picks up from here on. Time to start investing. Supply of paper continues to be a headwind."

Disclaimers

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Abakkus is also the Investment Manager to Abakkus Growth Fund, a SEBI registered Category III AIF vide SEBI Reg. No.: IN/AIF3/18-19/0550 dated June 05, 2018, India-Ahead Venture Trust, a SEBI registered Category I AIF vide SEBI Reg. No.: IN/AIF1/21-22/0976 dated January 25, 2022, India-Ahead Private Equity Trust, a SEBI registered Category II AIF vide SEBI Reg. No.: IN/AIF2/21-22/0980 dated January 27, 2022 and Abakkus India Equity Trust, a SEBI registered Category III AIF vide SEBI Reg. No.: IN/AIF3/23-24/1326 dated August 9, 2023 under SEBI (Alternative Investment Fund) Regulations, 2012 as amended from time to time and the Circulars and Guidelines issued there under from time to time collectively referred as the SEBI Registered Intermediary. The branch office of Abakkus situated at IFSC-GIFT City is registered with the IFSCA as Registered FME (Non-retail) (IFSCA/FME/II/2022-23/041) under IFSCA (Fund Management) Regulations, 2022.

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For PMS, IA and AIF related queries and complaints - service@abakkusinvest.com and complianceteam@abakkusinvest.com (both) Alternatively, the Investor may call on +91 22 6884 6601/02/85

Alternative Investment Fund

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

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

Investment Advisory Services:
You may refer the Disclosure Document available at
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