Abakkus

Believe in the Basics

Monthly Communication

October 2025

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Market update

October 2025

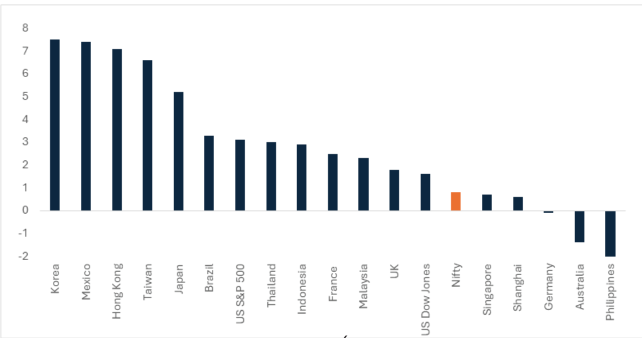
Equity Market Performance

Indian equities began September on a positive note, with benchmark indices posting modest gains. The **Nifty** advanced **0.8%,** while the **Mid-cap** and **Small-cap indices gained 1.4% and 1.9%,** respectively. Sectoral performance was led by **Metals (+9.4%), Auto (+5.9%), and Oil & Gas (+5.4%)** reflecting strong traction in cyclicals and industrials. On the other hand, **Consumer Durables (-4.9%), IT (-3.6%), and FMCG (-2.4%)** were the top laggards. Despite intermittent volatility from global developments, market sentiment remained constructive, supported by robust domestic participation and strength in cyclical sectors.

Global Market Overview

Global equities delivered a mixed performance in September. **South Korea (+7.5%), Mexico (+7.4%), and Hong Kong (+7.1%)** emerged as top performers, whereas **Germany (-0.1%), Australia (-1.4%), and the Philippines (-3.3%)** lagged behind. In the U.S., equity markets initially reacted positively to the Federal Reserve's **25 bps rate cut,** which lowered the policy rate range to **4.00%–4.25%.** However, sentiment weakened after the Trump administration announced a **USD 100,000 one-time fee on H-1B visa petitions** and a **100% tariff on branded drug imports,** which adversely impacted global IT and pharmaceutical stocks.

Global and regional indices 1 Month performance (%)



Source: Bloomberg, Kotak Institutional Equities (Data as on 30th September 2025 in local currency)

Macro Update

Institutional Flows

Foreign Portfolio Investors **(FPIs)** remained net sellers during the month, offloading **$2.13 billion** worth of Indian equities. In contrast, Domestic Institutional Investors **(DIIs)** continued to provide strong support, investing **$7.4 billion** during the same period. Steady domestic inflows helped cushion the weakness triggered by persistent foreign selling.

Primary Market Activity

The primary market witnessed robust activity in September 2025. **Mainboard IPOs** raised **₹95.8 billion** through **17 issues,** marking the highest monthly tally in FY26. Simultaneously, the **SME IPO segment** reached a record high, mobilizing **₹17.3 billion** across **36 issues.** The surge in activity was primarily driven by issuers advancing their listings ahead of the September 30 cutoff, after which FY25 financial statements would have become outdated.

Macro & Economic Developments

Economic Growth:

India's economy sustained its strong growth momentum, with **Q1FY26 GDP** expanding by **7.8%,** up from **6.5%** in Q1FY25. Reflecting this resilience, **Fitch Ratings** revised its **FY26 GDP forecast** upward to **6.9%** (from 6.5%), citing robust domestic demand and strong industrial output.

Inflation Dynamics:

Consumer inflation remained comfortably below the 4% target. **CPI inflation** rose slightly to **2.07% in August** from **1.61% in July,** while **WPI inflation** registered **0.52% YoY,** indicating mild price pressures. The marginal uptick was mainly driven by higher prices of food, non-metallic minerals, and manufactured goods, even as fuel and commodity costs stayed subdued.

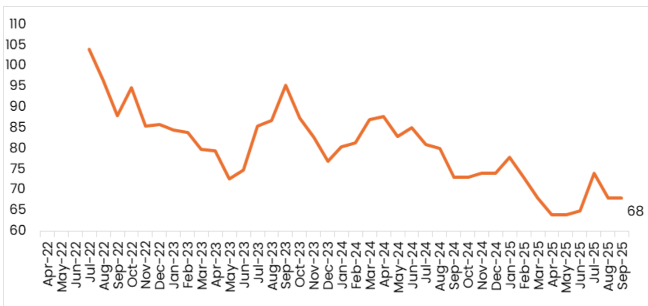
Industrial & External Sector Trends:

Industrial activity remained steady, with the **Index of Industrial Production (IIP)** rising **4.0% in August,** up from **3.5% in July.** External trade indicators also showed improvement — **exports grew 6.2% YoY** during April–August 2025, while **imports** increased by a modest **2.5% YoY,** resulting in a **narrowed trade deficit of $41.4 billion** compared to **$52.3 billion** last year. This reflects resilient manufacturing activity and a lower import intensity in the economy.

Fiscal & Financial Indicators:

The **USD/INR exchange rate** touched an **all-time high of 88.8. Brent crude** prices were steady at $68/bbl, indicating neutral month-on-month movement. Meanwhile, **gold and silver** reached new all-time highs, supported by safe-haven demand amid global uncertainty.

Brent Crude



Source: Bloomberg, Kotak Institutional Equities

GST and Digital Economy

India's tax and digital economy metrics remained healthy. **Gross GST collections** stood at **₹1.89 trillion** in September 2025, up **9.2% YoY** and **1.6% MoM,** despite the mid-month rollout of **GST 2.0,** which introduced a simplified three-tier rate structure (5%, 18%, 40%). **Net GST collections** amounted to **₹1.60 trillion,** registering **5.0% YoY** growth.

Digital payments continued their rapid expansion — **UPI transactions reached 19.6 billion in volume (+29.5% YoY) and ₹24.9 trillion in value (+220.6% YoY),** highlighting deepening digital penetration and scalability across user segments.

Energy Consumption

Energy demand showed broad-based growth in August–September 2025. **Petrol consumption rose 7.5% YoY to 3.38 million metric tonnes (mn MT),** while **diesel demand increased 6.3% YoY to 6.77 mn MT. LPG consumption** stood at **2,901 TMT,** up **6.5% YoY,** whereas **ATF consumption** declined **1.3% YoY to 716 TMT** in September. Nevertheless, cumulative ATF demand for **H1FY26** rose marginally to **4,414 TMT,** indicating a gradual recovery in aviation fuel usage.

RBI Monetary Policy – October 2025

In its October 2025 review, the **Reserve Bank of India's Monetary Policy Committee (MPC)** unanimously decided to **maintain the repo rate at 5.50%,** continuing with a **neutral stance.** The **Standing Deposit Facility (SDF)** rate was retained at **5.25%,** while the **Marginal Standing Facility (MSF)** and **Bank Rate** were kept at **5.75%.**

The RBI projected **real GDP growth at 6.8%** and **CPI inflation at 2.6% for FY26,** indicating confidence in maintaining price stability while supporting economic growth.

Market Outlook

The markets continue to move in a very narrow range as optimism on the economy front gets negated with uncertainty on the US-led tariff issue. The GST cut has buoyed consumption, with autos leading the way. A combination of Income Tax cuts, GST cuts, lower interest rate cuts and good monsoons bode well for domestic economy. The news flow on US-tariff issue also seems to be turning positive with a likely meeting of PM Modi and President Trump towards October end. The RBI, India's central bank, continues to be pro-growth and though there was status quo in the recent monetary policy, there was a further enhancement of growth leading initiatives. We have been constructive last couple of months and do believe that it is a good time to be investing in Indian equities. Supply of paper though continues to be immense.