Abakkus

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Monthly Communication

December 2025

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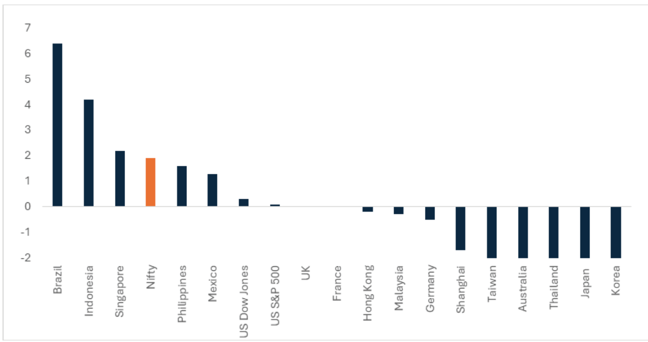
Market update

Equity Market Performance

November saw strong market gains, buoyed by robust Q2FY26 earnings results. Nifty moved out from its narrow trading range, hitting a fresh new highs amidst positive global cues. The Nifty gained 1.9%, while the Mid-cap indices also made similar gains, the Small-cap indices underperformed and declined by 3%. On sectoral front IT (+3.9%), Auto (+3.1%), and Banks (+3.1%). On the other hand, Realty (-4.7%), Power (-4.5%), and Metals (-2.9%) were the top laggards. Global markets ended mixed. Brazil (+6.4%), Indonesia (+4.2%), and Singapore (+2.2%) emerged as top performers, whereas South Korea (-4.4%) Japan (-4.1%), Thailand (-4.0%) lagged behind. Valuations remain elevated, with Nifty trading at a one-year forward PE of 20.7x, above long-term averages.

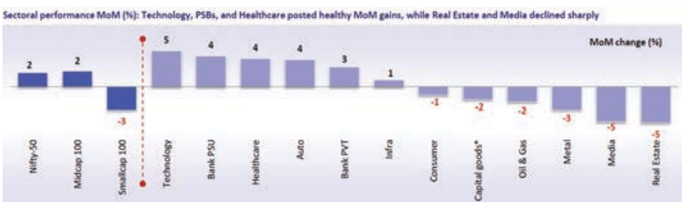
Global and regional indices 1 Month performance (%)



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

Market Update

The U.S. government shutdown officially ended after 43 days, marking the longest in American history. President Donald Trump signed a funding bill late on November 12, 2025. The ruling NDA scored a decisive victory in the 2025 Bihar Assembly elections, winning 202 out of 243 seats, well above the majority mark of 122. The central government rolled out new schemes aimed at boosting exports, with a substantial allocation to support the sector. Technology emerged as the top performer with a strong +5% gain, followed by Bank PSU and Healthcare, and Auto. Broader indices like Nifty-50 and Midcap 100 posted modest gains. On the downside, Real Estate and Media saw the steepest declines, with Metal and Oil & Gas, Capital Goods down, and Consumer slipping dropping. Smallcap 100 also fell -3%, contrasting with gains in Nifty and Midcap. Overall, the trend indicates strong momentum in technology, banking, and healthcare sectors, while real estate and media faced significant pressure.

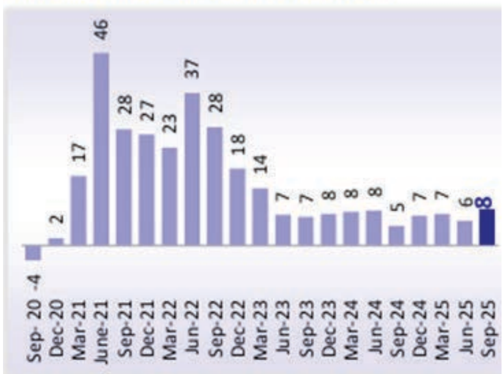


Note: (*) represents BSE Capital goods index. **Source:** MOFSL, Company

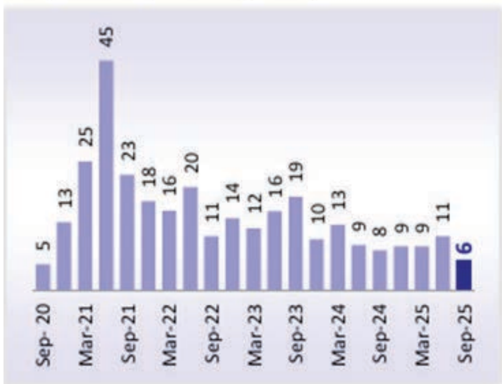
Q2FY26: Earnings Show Resilience

This season earnings reflected a steady recovery with aggregate revenue and PAT growth, though profitability margins remained under pressure due to cost headwinds and muted operating leverage in certain sectors. The Nifty-50 posted its sixth consecutive quarter of single-digit profit growth, with sales up 8% YoY, EBITDA up 6% YoY, and PAT up just 2% YoY, reflecting muted performance in large caps. Broader markets outperformed significantly, as Nifty-500 companies reported 8%/12%/15% YoY growth in sales, EBITDA, and adjusted PAT, respectively, with midcaps and small caps leading the charge—PAT for the Nifty Midcap-150 grew 27% YoY, while Smallcap-250 surged 37% YoY. Overall, earnings remains healthy, driven by strong domestic demand and government spending, despite global headwinds.

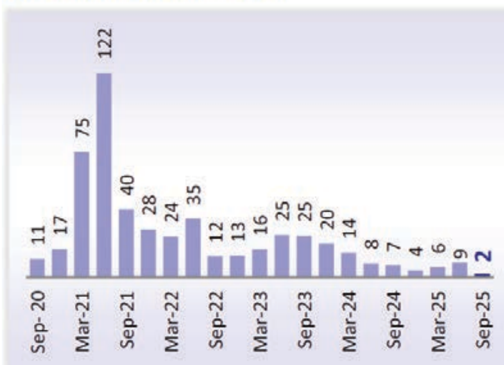
Nifty sales up 8% YoY (in line) in 2QFY26



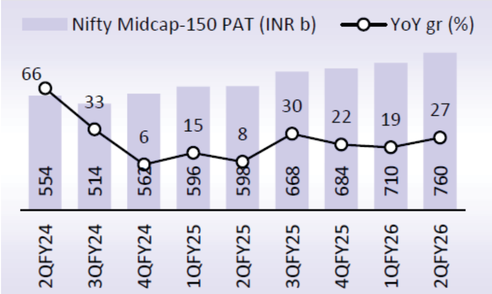
Nifty EBITDA up 6% YoY (est. 8%)



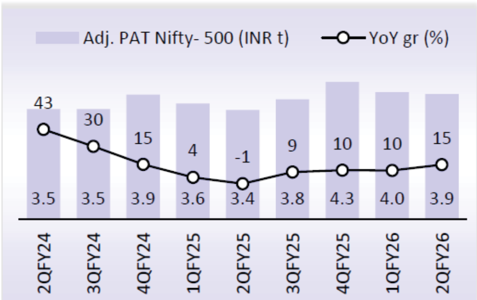
Nifty PAT up 2% YoY (est. 5%)



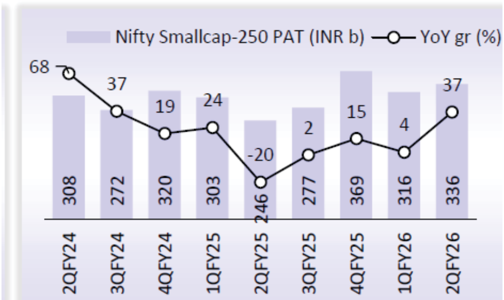
Nifty Midcap-150 PAT grew 27% YoY



Nifty-500 aggregate PAT grew 15% YoY to INR3.9t



Nifty Smallcap-250 reported a PAT growth of 37% YoY



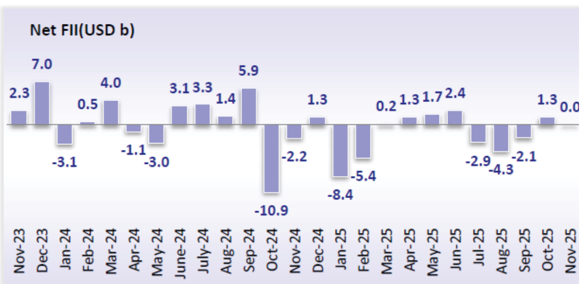
Source: MOFSL, Cline

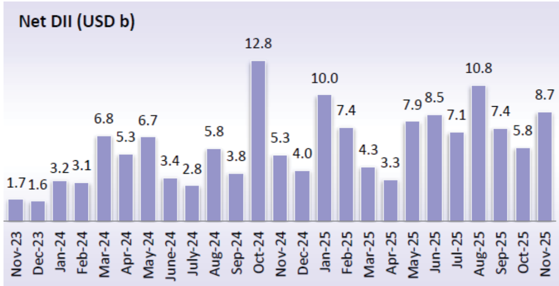
Macro & Economic Developments

Institutional Flows

Foreign Portfolio Investors (FPIs) sold during the month $0.04 billion worth of Indian equities. In contrast, Domestic Institutional Investors (DIIs) continued to provide strong support, investing $8.7 billion during the same period.

Monthly institutional flows (USD b)





Source: MOFSL, Cline

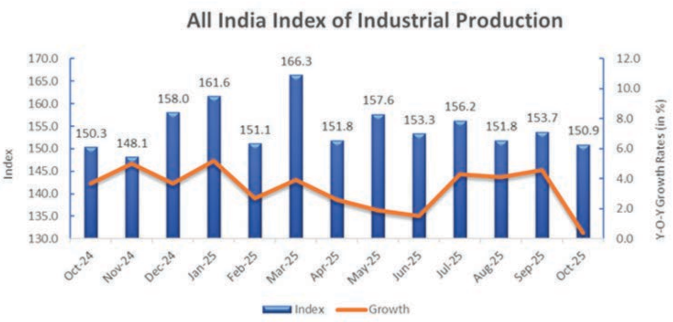
Overview of Core Economic Indicators

India's economy sustained its strong growth momentum, 1QFY26 real GDP growth stood at 8.2% compared to 7.8% in 1QFY25. Higher-than-expected growth was attributed to the low GDP deflator (0.5% YoY), similar to 1QFY26 (deflator at 0.9% YoY).

Real GDP growth accelerates

Source: MOSPI, CEIC, MOFSL

October Headline CPI inflation eased to 0.25% from 1.4% in September, due to a 5% YoY deflation in food and some impact of GST rate cuts across sectors. It is the lowest year-on-year inflation of the current CPI series. WPI inflation declined to -1.21% YoY. Negative rate of inflation in October, 2025 is primarily due to decrease in prices of food articles, crude petroleum & natural gas, electricity, mineral oils and manufacture of basic metals. Industrial Production index activity declined, with the Index of Industrial Production (IIP) fell at 0.4% in October compared to 4.0% in the month of September.



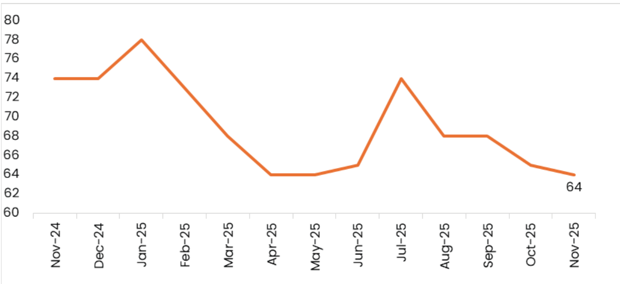
Source: Ministry of Statistics & Programme Implementation

India's tax metrics remained healthy. Gross GST collections stood at ₹1.70 trillion in November 2025, up 8.9% YoY and 0.7% MoM. Net GST collections amounted to ₹1.52 trillion, registering 7.3% YoY growth and 1.3% MoM.

External Trade Trends & Financial Indicators:

External trade indicators showed improvement — exports grew 4.8% YoY during April–October 2025, while imports increased by a modest 5.8% YoY, resulting in a trade deficit of $21.8 billion compared to $9.05 billion last year. This indicates stronger global demand for domestic goods or improved competitiveness. The USD/INR exchange rate has rose to 89.4 in comparison to 88.8 October 2025. Brent crude prices fell at $64/bbl, compared to $65/bbl in the month of October. Crude oil prices faced downward pressure as expectations of a Russia-Ukraine peace agreement gained momentum, raising hopes for a potential boost in global oil supply.

Brent Crude



Source: Bloomberg, Kotak Institutional Equities

Market Outlook

The month saw marginal gains in indices on optimism of accelerating GDP growth as well as positive comments on the US-India tariff front. Earnings growth for the quarter also added to the positiveness. As December set in, the central bank (RBI) also enthused the financial markets with a 25bps further rate cut. However, sentiments particularly in the broader markets have turned negative on the back of no news flow on the trade deal as well as the Rupee hitting an all-time low of 90 against the USD. Unwinding, particularly by individual investors and resurgence of FPI selling has also kept the markets soft.

However, we believe that markets should stabilize and present a good opportunity to start to look at beaten down but fundamentally interesting looking companies. We remain optimistic about a resolution on US-India trade talks in the ensuing future. Domestic economy continues to be robust and both RBI as well as the government are doing their best to ensure good economic growth. Corporate results have started to look better and the next 18 months look promising with expectations of 15% year on year corporate profit growth. Huge supply of fresh equity by way of IPOs, PE selling and promoter selling can be a headwind for near-term performance. However, we remain optimistic and believe that potential positives outweigh the challenges.