

Overview:

For the month ended May 2025, the Nifty 50 index was up 1.7% over the previous month. Nifty Midcap 100 index was up by 6.09%, while the Nifty Smallcap 100 index was up by 8.72%. Small-caps, represented by the Nifty Smallcap 100 outperformed midcaps and largecaps. Within sectors media, metal, public sector banks, realty, auto, and technology services outperformed Nifty 50, whereas consumer durables, pharma, and healthcare underperformed.

Sr. No.	Index Name	May-25
		M-o-M Change
1	NIFTY 50	1.71%
2	NIFTY Midcap 100	6.09%
3	NIFTY Smallcap 100	8.72%
4	NIFTY Auto	4.56%
5	NIFTY Bank	1.20%
6	NIFTY Financial Services	1.48%
7	NIFTY FMCG	-2.06%
8	NIFTY IT	4.27%
9	NIFTY Media	13.04%
10	NIFTY Metal	7.12%
11	NIFTY Pharma	-1.52%
12	NIFTY Private Bank	0.46%
13	NIFTY PSU Bank	6.63%
14	NIFTY Realty	7.17%
15	NIFTY Consumer Durables	0.70%
16	NIFTY Oil & Gas	1.87%
17	NIFTY Healthcare Index	-1.16%

Source: National Stock Exchange of India

Foreign funds (FIIs /FPIs) were net buyer in May 2025 at USD2.34bn and domestic institutions were net buyers at USD7.93bn. Despite this strong buying in May 2025, foreign funds are net sellers at USD10.5bn for the calendar year 2025. Domestic funds led by retail investors remain net buyers at USD33bn for the calendar year 2025. In April 2025, Systematic Investment Plan (SIP) contributions reached a record INR266.3bn which represents highest ever amount collected through SIPs in India. SIP assets under management (AUM) also continued to grow, reaching INR13.89trillion in April 2025. This steady increase in SIP contributions, despite market volatility and global geopolitical headwinds, reflects Indian investors' growing confidence in long-term wealth creation through financial savings i.e. mutual funds.

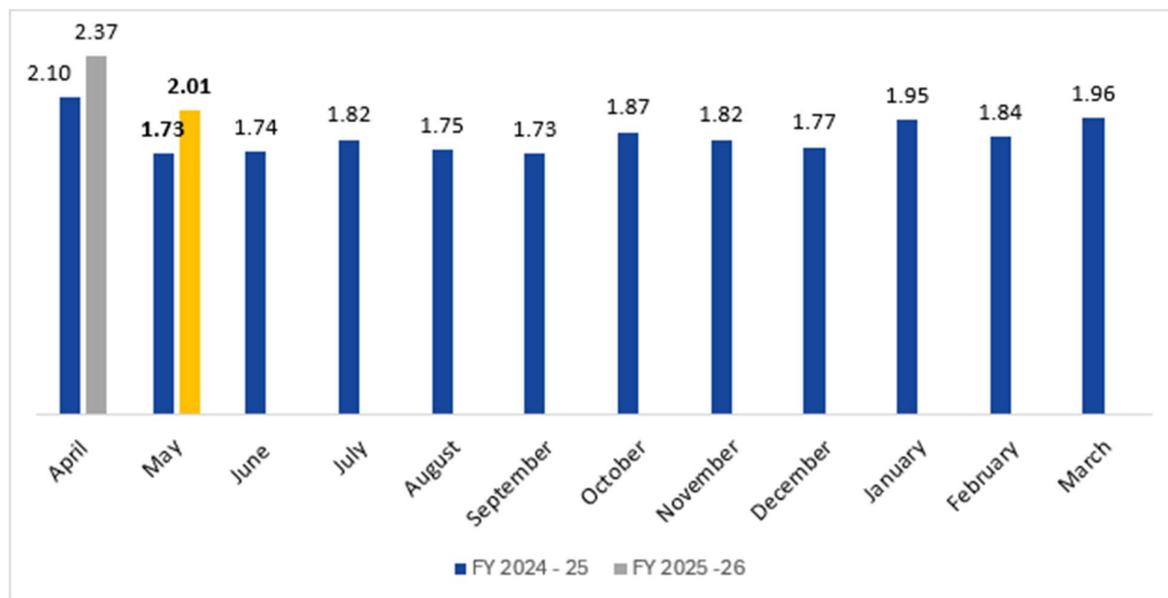
Fig: Fund flows

(USD mn)	Curr	MTD	CYTD
FII - Cash	-206	2,344	-10,567
DII - Cash	1,064	7,926	32,969
FII - Debt	3,413	2,289	815

Source: Axis Capital research

On the macroeconomic front, Goods and Services Tax (GST) revenue for May 2025 stood at INR2.01 trillion, up 16.18% YoY. The net GST collection rose 20.4% YoY to INR1.73 trillion, driven by a sharp 72.9% increase in customs-related revenue and a 4% decline in refund outgo. For the second consecutive month, GST collections have crossed the INR2trillion mark. This sustained strength in GST inflows reflects robust domestic demand. The figures signal a favorable fiscal trajectory and strengthen confidence in the durability of India’s economic recovery, underlining the economy’s resilience in the face of external uncertainties.

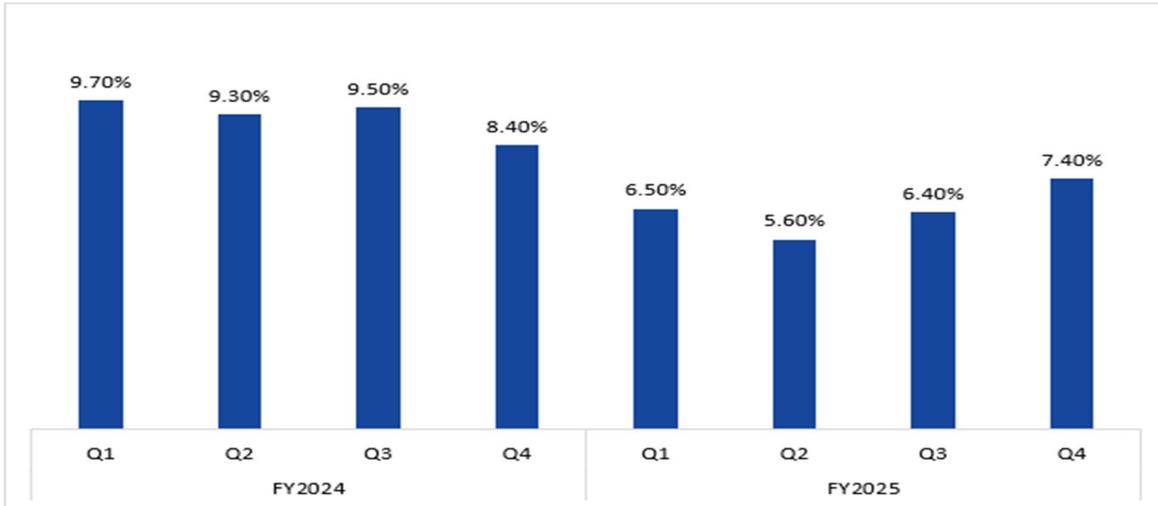
Fig: GST collections trend (in INR Trillion)



Source: EquiPoise Capital Research

India’s economy posted a strong rebound in the March quarter of FY2025, with GDP growing by 7.4% YoY the highest in the past four quarters. This performance builds on a high base of 8.4% growth in the same quarter last year. The sequential improvement of nearly 200 basis points suggests that the economy may have bottomed out and is now on a more stable growth trajectory. According to provisional estimates released by the National Statistics Office (NSO), full-year GDP growth for FY2025 stood at 6.5%, in line with official estimates. The March quarter growth also exceeded expectations, coming in ahead of the Reserve Bank of India’s forecast of 7.2%.

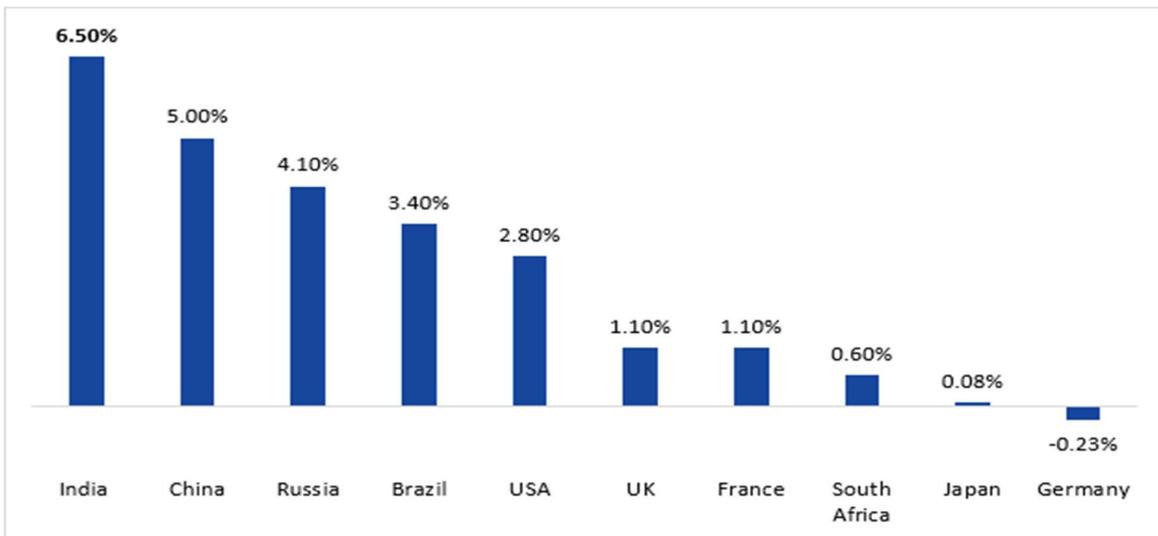
Fig: Real GDP quarterly growth (YoY%)



Source: MOSPI

India continues to retain its position as the fastest-growing major economy in the world. With a GDP growth rate of 6.5% in FY2025, India has outpaced other large economies, including China (5%), the United States (2.8%), and several advanced economies that reported either slow or negative growth. Among the BRICS nations as well, India’s performance stands out, with growth significantly higher than that of Russia, Brazil, and South Africa. This strong relative growth underscores the resilience and momentum of the Indian economy despite global headwinds.

Fig: GDP growth rate comparison for FY25 (YoY%)



Source: IMF

In 2024, India’s economy was just behind Japan the world’s fourth-largest economy by a narrow margin of USD0.117 trillion. Having surpassed the United Kingdom a few years ago to become the fifth-largest economy globally, India is now poised to move up one more position. According to the International Monetary Fund (IMF) World Economic Outlook report released in April, India is projected to become the fourth-largest economy by the end of FY26, with an estimated GDP of USD4.187 trillion. This would place it marginally ahead of Japan, which is expected to record a GDP of USD4.186 trillion. The data reflects India's steady economic progress and growing prominence in the global economic landscape. However, India has surpassed Japan to become the world's fourth-largest economy, according to NITI Aayog CEO BVR Subrahmanyam, referencing IMF data. India is now a USD 4 trillion economy, trailing only the US, China, and Germany. (Source: <https://www.livemint.com/economy/india-surpasses-japan-to-become-4th-largest-economy-at-4-trillion-to-overtake-germany-soon-niti-aayog-ceo-11748145853542.html>).

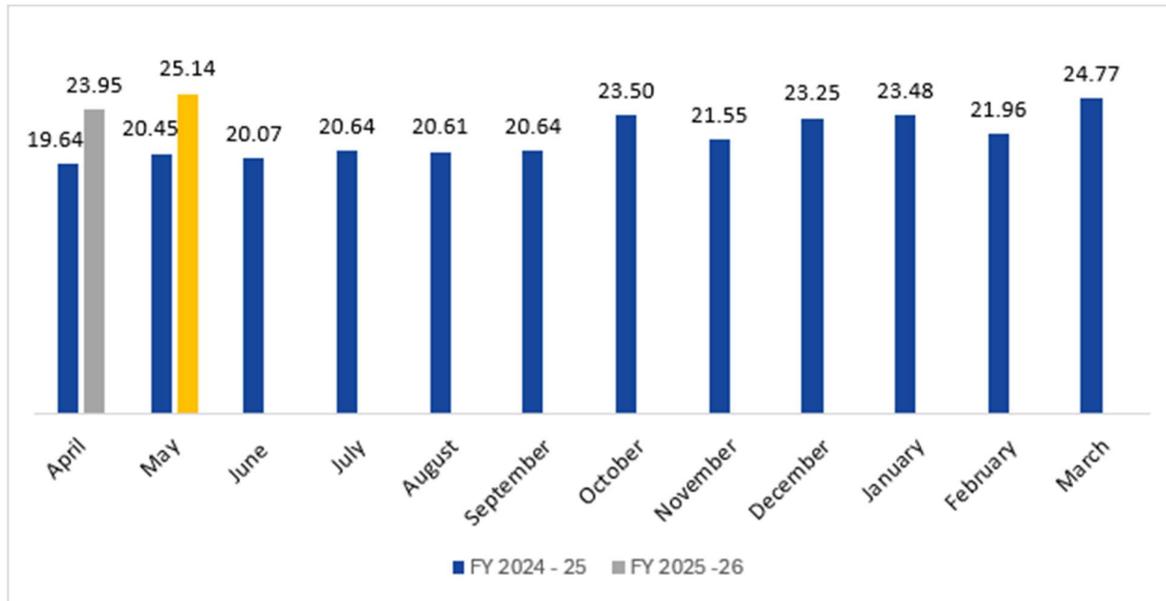
Fig: GDP growth projection in USD trillion

Country	2024	2025E	2026E	2027E	2028E
USA	29.184	30.507	31.718	32.942	34.342
China	18.748	19.231	20.376	21.707	23.103
Germany	4.658	4.744	4.912	5.083	5.252
India	3.909	4.187	4.601	5.069	5.584
Japan	4.026	4.186	4.373	4.52	4.709
UK	3.644	3.839	4.041	4.239	4.457

Source: IMF

India’s digital payments ecosystem witnessed significant growth in FY2025, led by the Unified Payments Interface (UPI), which contributed 83.4% of total payment volumes, up from 79.4% in FY2024. According to the Reserve Bank of India's (RBI) annual report, UPI processed 185.8bn transactions during the year, marking a 41.7% year-on-year increase. Total digital payments grew 34.8% to 222.6bn transactions, with non-cash retail payments being almost entirely digital at 99.9%. Credit card transactions rose to 4.7bn, while debit card usage declined 29.5% to 1.6bn. Unified Payments Interface (UPI) transactions reached a record high in May 2025, with 18.68bn transactions valued at INR25.14trillion, according to NPCI data. This marked a 4% increase in volume and a 5% rise in value over April, and a robust year-on-year (YoY) growth of 33% and 23%, respectively. The previous peak was recorded in March 2025. The steady rise across UPI, IMPS, FASTag, and AePS signals a broad-based expansion in digital payment adoption and underscores India's continued progress toward a less-cash economy.

Fig: UPI transactions in value (in INR trillion)



Source: NPCI, EquiPoise Capital Research

On the corporate front, the 4QFY2025 corporate earnings concluded on a strong note. Metals, oil, banks, automobiles, healthcare, technology, and capital goods sectors supported the outperformance. The banking sector witnessed a mixed quarter. The margin outcome was divergent for the private and public banks. Most of the large private banks have seen a sequential improvement while public banks continue to see moderation. For the automobile sector, while auto OEMs posted modest growth, the auto ancillaries posted a higher growth. The consumer sector reported a revenue growth in-line with expectations. Technology services companies posted a decline. The backdrop remains challenging, as macro uncertainty continues to weigh on IT demand, marking a softer exit to FY2025.

Our view:

After robust corporate earnings for quarter four FY2025 and strong GDP growth numbers, India is witnessing a favourable onset of monsoon rains. Indian Meteorological Department is expecting a second consecutive year of strong monsoon, with rainfall during the 2025 monsoon season (July - September) projected to be 6% above the average. This follows an 8% surplus in 2024. Monsoon has already seen an early onset by ~10 days, and June rainfall is forecast to be above normal (+8%). Agricultural output is expected to rise and historically, years with above-average rainfall are known to be positive for the rural economy. The positive monsoon outlook also supports a benign inflation trajectory. Following an above normal monsoon season in 2024, the rural data points have gradually picked up. Rural wage growth is also trending near 6.1%, which is positive in declining inflation environment. The commentary by some consumer companies was also better for the rural economy citing rural consumption growing faster than urban.

Government capital expenditure beat FY2025 revised estimate with 68% YoY rise in March 2025. FY2025, being an election year, turned out to be back-ended for government capex (monthly run-rate of INR1.1tr in H2 vs INR

0.69trn in H1,) while FY2026, being a non-election year, has been front-ended so far (April 2025 capex of INR1.6trn). A combination of the above two has resulted in the highest-ever government capex of INR7.5tr over six months ending April 2025, even though the FY2026 budget outlay was modest at ~INR 11trn. Overall, for FY2025, the actual government capex spending at INR10.5tr exceeded the revised budget estimates of INR10.2tr, largely led by core infrastructure capex (especially road transportation) and capex loans to states. The surge in banking system liquidity from March 2025-end has been supported by the rising government capex. This trend is positive for overall aggregate demand and economy.

The 4QFY2025 earnings fared better than expectations. The market has rebounded notably over the last two months, reversing its YTD decline. While near-term challenges such as global geopolitics, global macros, trade wars, and earnings will keep the market volatile and jittery, we believe that the medium-to-long-term growth narrative for India remains intact.

We maintain that India's long term growth story, despite all the global uncertainties, is intact and corrections present an opportunity for long term investors.

Ashish A. Wakankar

Founder and Chief Investment Officer

EquiPoise Capital Management Private Limited

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