

Overview:

For the month ended June 2025, the Nifty 50 index was up by 3.10% over the previous month. The Nifty Midcap 100 index was up by 4.04%, while the Nifty Smallcap 100 index was up by 6.66%. Small-caps outperformed midcaps and largecaps. Within sectors oil and gas, realty, metal, public sector banks, healthcare and technology services outperformed Nifty 50, whereas auto, financial services, consumer durables, media and private bank underperformed.

Sr. No.	Index Name	Jun-25
		M-o-M Change
1	NIFTY 50	3.10%
2	NIFTY Midcap 100	4.04%
3	NIFTY Smallcap 100	6.66%
4	NIFTY Auto	2.34%
5	NIFTY Bank	2.80%
6	NIFTY Financial Services	2.55%
7	NIFTY FMCG	-0.72%
8	NIFTY IT	4.36%
9	NIFTY Media	2.52%
10	NIFTY Metal	3.72%
11	NIFTY Pharma	2.78%
12	NIFTY Private Bank	2.46%
13	NIFTY PSU Bank	3.25%
14	NIFTY Realty	3.92%
15	NIFTY Consumer Durables	2.90%
16	NIFTY Oil & Gas	3.62%
17	NIFTY Healthcare Index	4.13%

Source: National Stock Exchange of India

Foreign funds (FIIs /FPIs) were net buyers in June 2025 at USD1.69bn and domestic institutions were net buyers at USD8.47bn. The first quarter of FY2026 witnessed strong positive flows from both foreign and domestic investors. Foreign Institutional Investors (FIIs/FPIs) turned net buyers to the tune of USD4.54bn, a sharp reversal from the same period last year quarter one FY2025, when they were net sellers of USD910mn. Domestic institutional investors continued their steady participation, recording net inflows of USD19.72bn, higher than the USD15.38bn seen in quarter one FY2025. The sustained domestic investor support reflects improved sentiment towards financial savings and wealth building through equity mutual funds.

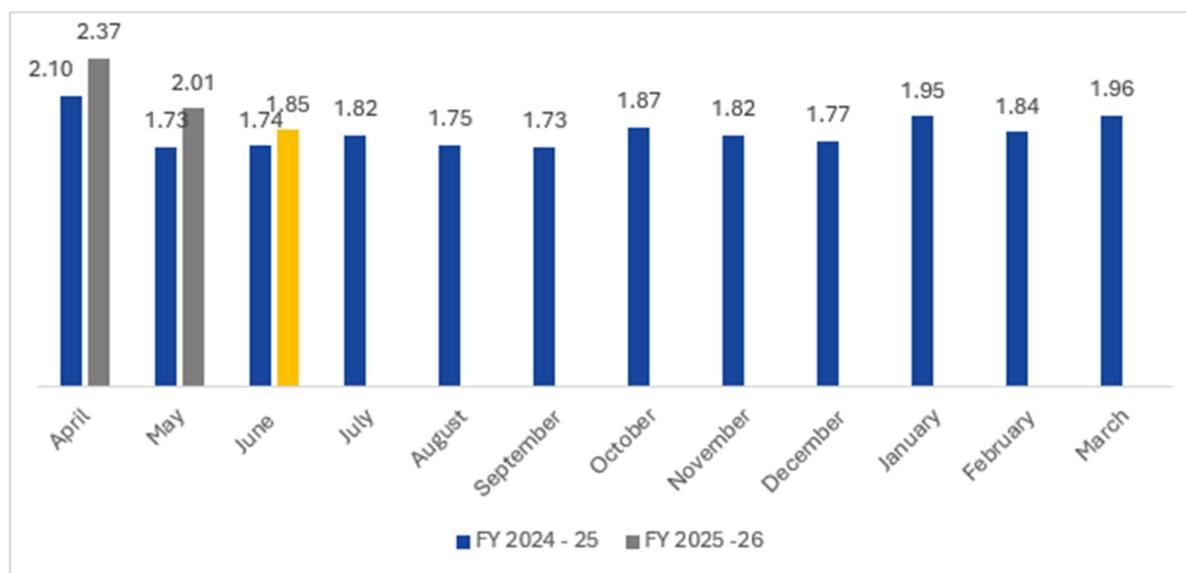
Fig: Fund flows

(USD mn)	Curr	MTD	CYTD
FII - Cash	663	1,690	-8,877
DII - Cash	408	8,465	41,434
FII - Debt	-25	-717	98

Source: Axis Capital

On the macroeconomic front, Goods and Services Tax (GST) revenue for June 2025 stood at INR1.85 trillion, up 6.32% YoY. Goods and Services Tax (GST) collections in Q1 FY2026 grew by 11.85% year-on-year, reaching INR6.23 trillion, compared to INR5.57 trillion in Q1 FY2025. This steady growth in GST revenue reflects healthy domestic consumption trends and improved compliance. It also signals continued momentum in economic activity at the start of the fiscal year.

Fig: GST collections trend (in INR Trillion)



Source: EquiPoise Capital Research, GOI

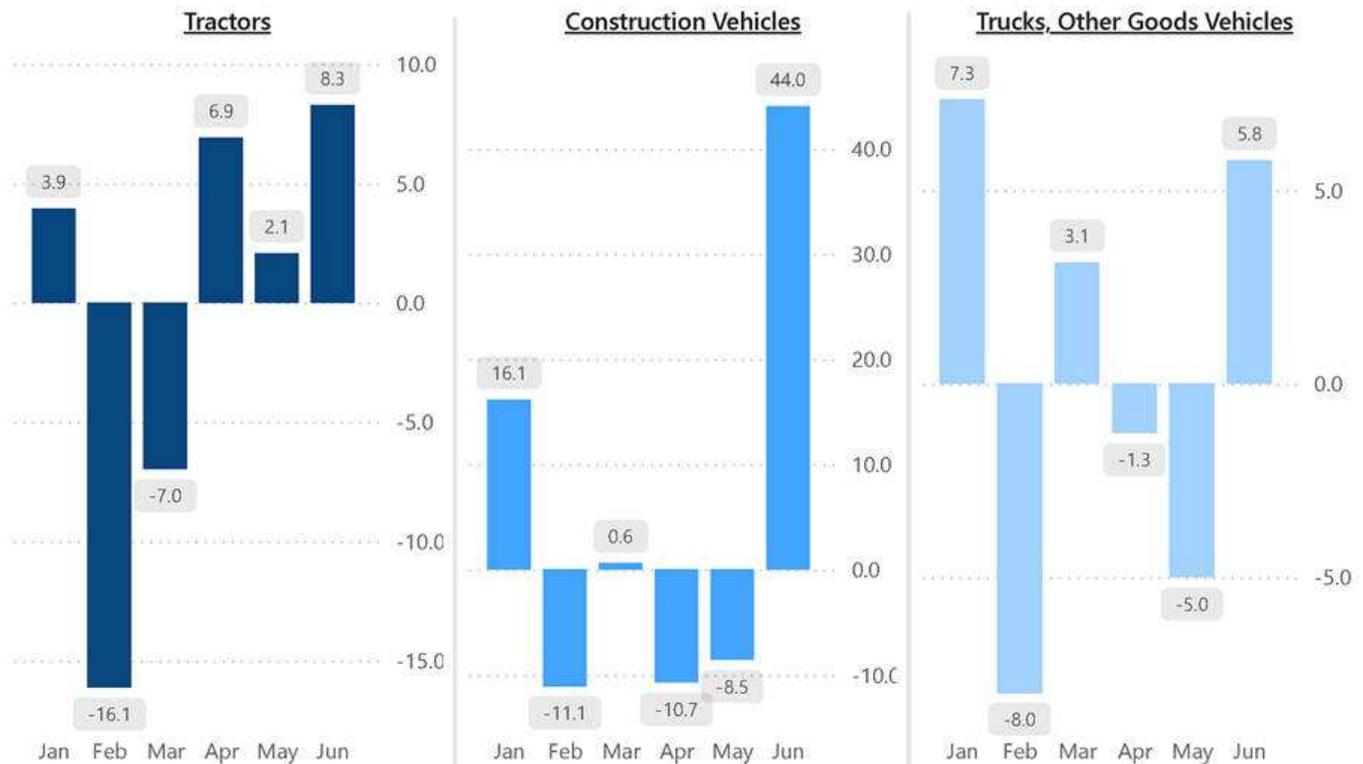
Gross tax collections grew by a healthy 12% YoY during April-May. This was, however, largely driven by GST collections. Customs collections grew in low single digits, and Excise collections also grew in high single digits. Corporate tax collections declined, and Income Tax collections grew in mid-single-digits.

India's manufacturing sector activity rose to a 14-month high in June on the back of expansion in output, new orders, and job creation. The HSBC India Manufacturing Purchasing Managers' Index (PMI), compiled by S&P Global, rose to 58.4 in June, up from 57.6 in May. A reading above 50 indicates expansion. The headline figure was above its long-run average of 54.1, which suggests a substantial improvement in the sector's health.

Following strong performance in manufacturing, the services sector also fared well in June as Purchasing Managers’ Index (PMI) surged to a 10-month high of 60.4 in June, S&P Global reported on Thursday. Expansion in sales and business activity pushed the PMI upward. The services sector contributes over 50 per cent to the Gross Value Added (GVA).

June saw a marked improvement over May for most automobile categories, especially in construction and commercial vehicle segments. Construction vehicles witnessed a sharp turnaround, recovering from a significant decline of -9% in May to a strong 44% YoY growth. Trucks and commercial vehicles saw a shift from a contraction of 5% in May to moderate growth of 6% YoY in June.

Fig: Tractors, Construction and Goods vehicles sales (%)

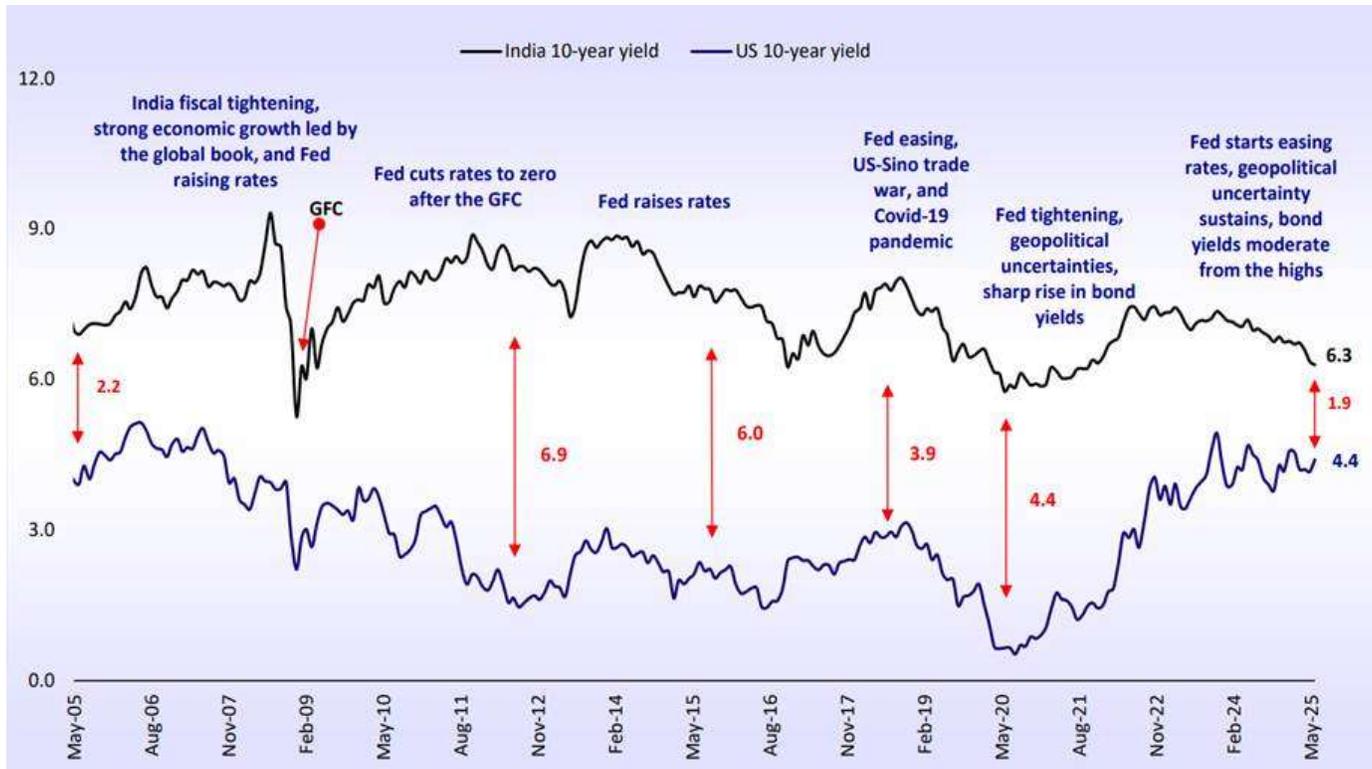


Source: IndiaDataHub

India’s foreign exchange reserves rose sharply by USD4.84 billion to USD702.78 billion in the week ended June 27, which is almost close to the all-time-high level of USD704.89 billion recorded in end-September 2024.

India’s 10-year government bond yield declined 10bp MoM to 6.3% in Apr’25, while the US yield rose 20bp to 4.4%. As a result, the yield spread narrowed by 30bp MoM to an all-time low of 1.9%.

Fig: India-US 10Y bond yield (%)



Source: MOFSL

The Reserve Bank of India (RBI) June 2025 policy measures represent a decisive effort to accelerate economic recovery through lower interest rates and enhanced banking liquidity. With inflation under control and external balances robust, the policy space has been effectively used to foster demand and investment. As credit costs decline and liquidity improves, India is well-positioned to sustain its growth trajectory in FY2026, setting the stage for a more broad-based and inclusive recovery.

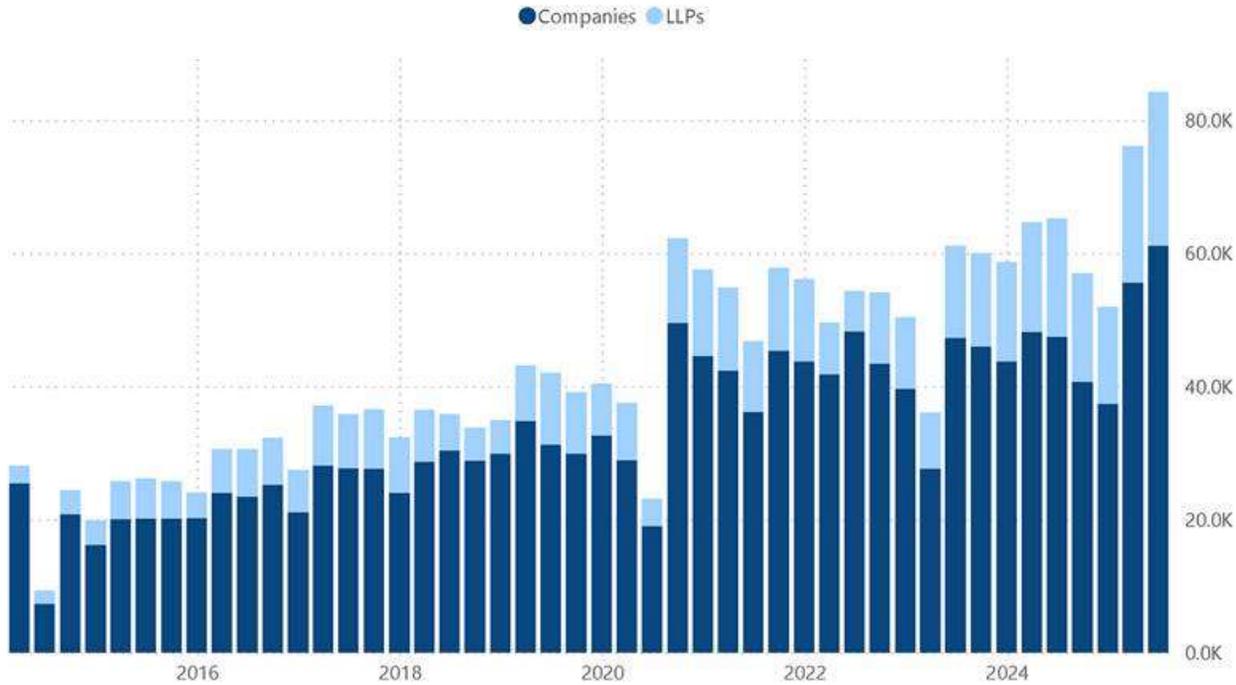
Fig: RBI Monetary Policy Change

Parameter	Details / Latest Update
Repo Rate	5.50% (↓ from 6.00%)
CRR (Cash Reserve Ratio)	3% (↓ from 4%)
SDF Rate (Standing Deposit Facility)	5.25%
Policy Stance	Neutral (changed from Accommodative)

June quarter of this year has been a record quarter for new company and LLP registrations. A total of 61,139 companies were registered during the quarter, along with ~23,000 LLPs for a total of ~84,000 new formal enterprises. The March quarter had seen ~76,000 new formal firms register, and this is the second highest on

record. For reference, the calendar year 2024 has seen just under 240,000 formal firms register, and in just the first half of this year, we have seen over 160,000 firms, or 2/3rds of last year.

Fig: New formal firms registered



Source: IndiaDataHub

India’s nominal GDP expanded by 9.8% YoY in FY2025 to reach INR330 trillion, while the profit pool of the listed corporate universe reached INR16.9 trillion or 5.1% of GDP, thereby registering like-to-like growth of ~10.7% (> nominal GDP). However, growth was augmented by the reduction in the loss pool, which dropped below the INR1 trillion mark for the first time since FY2014 to reach a cycle low of 0.27% of GDP. Ex-losses, the corporate profit pool reached INR17.8 trillion or 5.4% of GDP.

Quarter four FY2025 corporate results came in better than expected, as beats exceeded misses (beats: 176; neutral: 59; and misses: 134). Cyclical sector growth outpaced defensives during Q4FY25. Q4FY25 operating profit growth is at a robust 12% (> nominal GDP growth); although, overall PAT growth for non-financials, at 8%, and including financials, at 6%, lagged operating profit growth, largely due to one-offs. For the benchmark NIFTY50 index, the free float PAT is likely to grow at ~14% over FY25–27E, with strong growth exhibited by cyclical sectors such as industrials, discretionary consumption and commodities.

Fig: PAT / GDP nudges up to 5.1% of GDP; Loss/GDP hits cycle low



Source: ISec Research

Our view:

India's economic narrative is clearly biased towards investment-led growth cycle, underpinned by strong tax collections, strong government spending and a supportive monetary policy. The Reserve Bank of India's recent rate cuts, coupled with liquidity enhancing measures, are aimed at creating favorable conditions for private sector investment and credit expansion. At the same time, government-led infrastructure spending continues to play a vital role in driving growth in the economy.

Not just the government capex, even corporate capex of the listed non-financial space breached INR11 trillion in FY2025 (20% YoY), thereby outpacing the central government capex at INR10.5 trillion and validating the NSO's latest private corporate sector capex survey. Moreover, FY2025 corporate capex spending pattern shows the broad-based nature of growth, wherein 157 corporates embarked on capex of >USD 100mn which is the highest number of companies since 2013. At the peak of capex cycle in 2012, 175 listed companies embarked on a minimum capex of USD100mn (USD100mn was equivalent to INR4.8bn in 2012 vs INR8.5bn currently). Aggregate 'capex / depreciation' ratio has risen to ~2x from the cycle low of 1.3x, indicating discretionary capex is rising.

Interestingly, despite rising capex growth in the recent past, credit growth has been slow due to the elevated cashflow from operations (CFO) generated by the listed space vs capex (hit a cycle high of > 2x in FY21). However, despite robust CFO generation of INR16 trillion in FY2025, CFO/capex ratio dipped further to 1.5x as capex growth outpaced CFO. This could eventually result in corporate loan growth picking up.

From the above data and trends, it is evident that Indian economy is showing resilience despite all the global uncertainties. It is not just translating into higher corporate capex but even setting up a new firm requires a certain level of optimism about both the specific business and the general economic environment in the minds of promoters. And the record high number of firms getting registered suggests the optimism is high.

However, in the past 20 years, data shows that 80% of market returns have come from earnings growth. Over longer horizons, earnings growth dominates returns (71-90%), though P/E dominates over shorter 1-2-year periods. Given the universal July 9, 2025 deadline for negotiating and finalising trade agreement with US closing in, we are cautious given the uncertainty around US tariffs, its impact on trade, corporate earnings and concomitant market volatility.

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

July 07, 2025.

Disclaimer: Nothing contained herein constitutes nor is intended to constitute an offer, inducement, promise, or contract of any kind. Notwithstanding any language to the contrary, these materials are for informational purposes only and are not intended to be, and should not be construed as, an offer to sell or a solicitation of an offer to purchase any securities, neither of EquiPoise Capital Management Pvt Ltd nor of any entity or other investment vehicle managed/advised by EquiPoise Capital Management Pvt Ltd or its affiliates. This document/presentation contains confidential information. EquiPoise Capital Management Pvt Ltd, its affiliates/- sponsors/employees, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this document/publication/presentation from time to time. Recipients of the information contained herein should exercise due care and caution and read the offer document (including if necessary, obtaining the advice of tax /legal/ accounting/ financial/ other professionals) prior to taking of any decision, acting or omitting to act, on the basis of the information contained herein. This document/presentation may not be reproduced, distributed or otherwise used except with our written consent. Each person, by accepting these materials, is deemed to agree to the foregoing, and to agree to return these materials to us promptly upon request. This document/presentation contains certain statements, estimates and forecasts with respect to future performance and events. These statements, estimates and forecasts are “forward-looking statements”. In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as “may”, “might”, “will”, “should”, “expect”, “plan”, “intend”, “estimate”, “anticipate”, “believe”, “predict”, “potential” or “continue” or the negatives thereof or variations thereon or similar terminology. All statements other than statements of historical fact included in this document/presentation are forward-looking statements and are based on various underlying assumptions and expectations and are subject to known and unknown risks, uncertainties and assumptions, may include projections of future financial performance based on model portfolios and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied in the forward-looking statements. As a result, there can be no assurance that the forward-looking statements included in this newsletter will prove to be accurate or correct. In-light of these risks, uncertainties and assumptions, the future performance or events described in the forward-looking statements in this document/presentation might not occur. Accordingly, you should not rely upon forward-looking statements as a prediction of actual results, and we do not assume any responsibility for the accuracy or completeness of any of these forward-looking statements that may be made from time to time. We are under no obligation (and expressly disclaim any such obligation) to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise. The data contained herein is for informational purposes only and is not represented to be error free. Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. Investment in securities market are subject to market risks. Read all the related documents carefully before investing. Thank you for your cooperation.