

## Overview:

For the month ended September 2025, the Nifty 50 index was up by 0.75% over the previous month. The Nifty Midcap 100 index gained 1.44%, while the Nifty Smallcap 100 index rose 1.95%. Midcaps and smallcaps outperformed largecaps. Within sectors, government owned banks, metals, financial services, oil & gas and auto outperformed Nifty 50, while information technology (IT), media, pharmaceuticals, healthcare and consumer durables underperformed.

Sr.No.	Index Name	Sep-25
		M-o-M Change
1	NIFTY 50	0.75%
2	NIFTY Midcap 100	1.44%
3	NIFTY Smallcap 100	1.95%
4	NIFTY Auto	6.34%
5	NIFTY Bank	1.83%
6	NIFTY Financial Services	1.78%
7	NIFTY FMCG	-2.55%
8	NIFTY IT	-4.34%
9	NIFTY Media	-4.28%
10	NIFTY Metal	9.65%
11	NIFTY Pharma	-1.60%
12	NIFTY Private Bank	1.55%
13	NIFTY PSU Bank	11.41%
14	NIFTY Realty	-0.36%
15	NIFTY Consumer Durables	-3.83%
16	NIFTY Oil & Gas	4.55%
17	NIFTY Healthcare Index	-1.47%

Source: National Stock Exchange of India

Foreign funds (FIIs/FPIs) were net sellers in September 2025 at USD2.70bn whereas domestic institutions remained net buyers at USD7.40bn. Foreign funds are net sellers at USD17.6bn for the calendar year up to September 30, 2025 whereas domestic institutional investors continued their steady participation, recording net inflows of USD66.7bn for the same period.

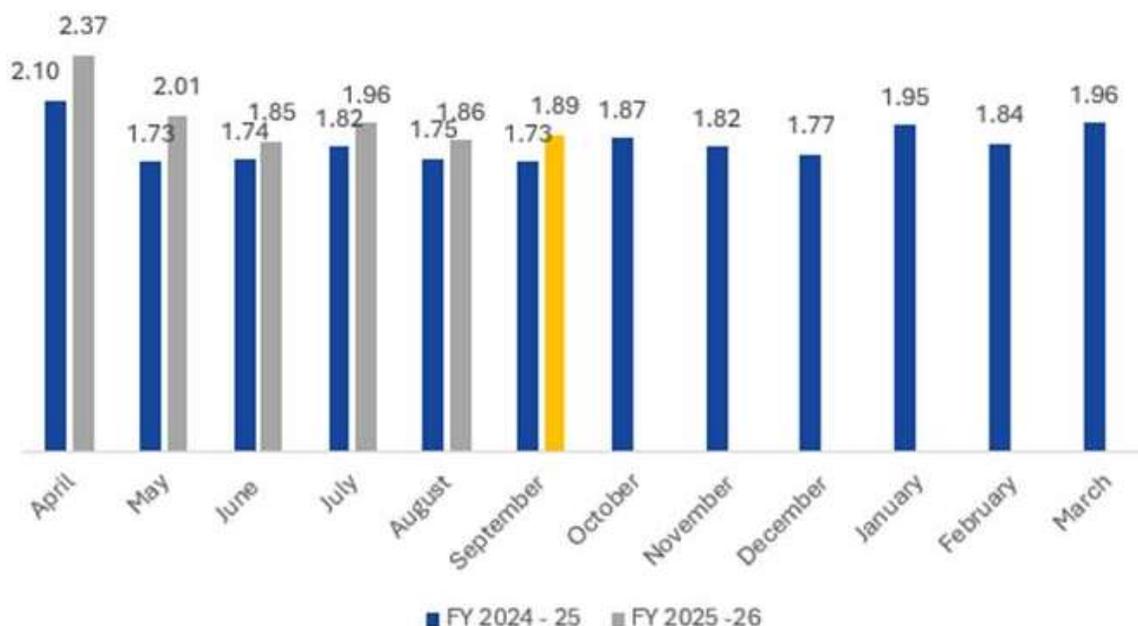
**Fig: Fund flows**

(USD mn)	Curr	MTD	CYTD
FII - Cash	-153	-2,702	-17,625
DII - Cash	648	7,397	66,705
FII - Debt	-18	124	970

Source: Axis Capital Research

Defying expectations of a slowdown in consumption, Goods and Services Tax (GST) revenue for September 2025 was INR1.89 trillion, up 9.25% YoY. CY2025 GST collections is INR17.69 trillion, up 10% compared to INR16.06 trillion in the same period of CY2024, reflecting strong momentum in the Indian economy.

**Fig: GST collections trend (in INR Trillion)**

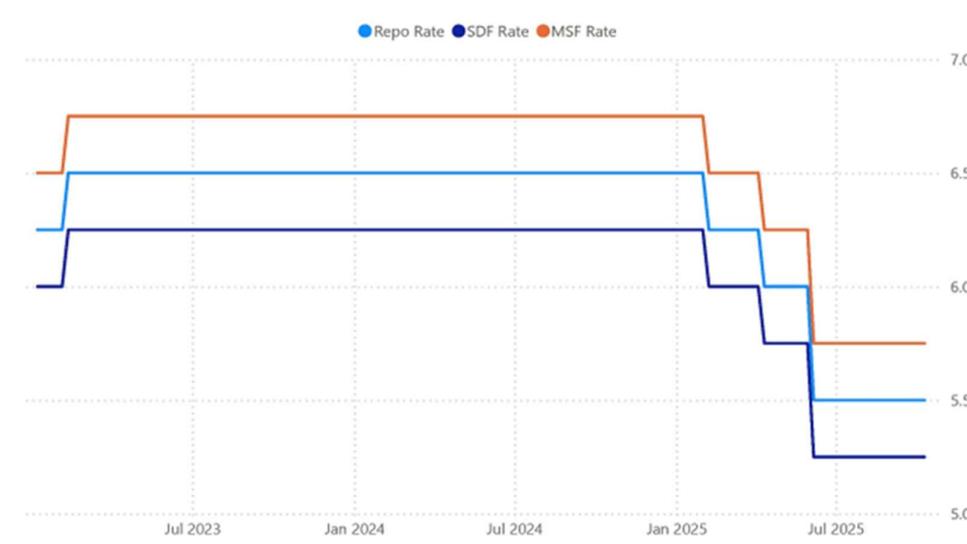


Source: EquiPoise Capital Research, GOI

Reports suggest that Bloomberg is consulting investors on adding Indian G-Secs to its Global AGG Index. If approved, this is expected to lead to ~USD18bn in passive inflows (0.7% weight in an index which had USD2.5tr benchmarked to it in 2019). While the decision is some time away, factors that favour inclusion: i) India to be ~5% of global GDP in 2030; ii) strong growth with macro stability; iii) nearly all developed markets face fiscal stress; iv) some are showing institutional weaknesses like emerging markets. As important as direct benefits of inclusion would be secondary effects: broader global institutional participation, a steady opening of India's capital account (currently open only in theory: foreign ownership of G-Secs is only 3%), and a lower cost of capital.

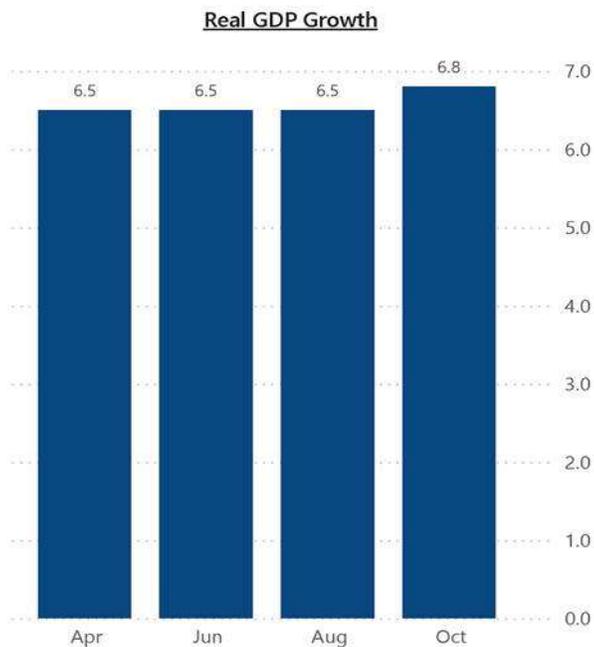
The Reserve Bank of India (RBI) announced several measures to boost credit while strengthening the capital structure of banks and keeping policy rates unchanged. RBI has raised India’s GDP growth outlook to 6.8% from 6.5% and lowered inflation projection to 2.6% for FY2026.

**Fig: RBI Policy Rate (%)**



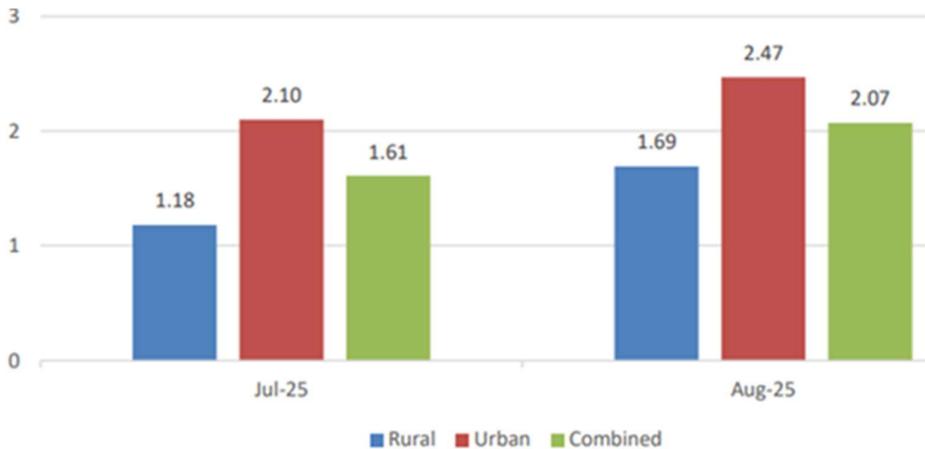
Source: India Data Hub

**Fig: RBI GDP Forecast FY2026 (%)**



Source: India Data Hub

**Fig: India: Year on Year CPI based inflation**



Source: Gol MoSPI

Bank credit growth is increasingly outpacing deposit mobilization, with the gap widening as deposit rates fall sharply. Despite this, bankers anticipate higher loan demand in the festive season and quarter three FY2026, driven by lower GST rates and the RBI's regulatory push to boost credit flow and bank resilience. Post steep GST cuts, Indian consumer goods and auto companies experienced their best 'Navratri' festival sales in over a decade, with growth ranging from 25% to 100%. Reduced GST hence lower product prices fueled this surge, significantly boosting consumer sentiment. Automobile and consumer electronics companies witnessed sharp growth uptick, setting a positive tone for the upcoming biggest Indian festival of Diwali. Positive for the Indian economy.

Post the imposition of 50% tariffs by US, India faced two new challenges - 100x hike in US H1B visa fee and 100% tariff on pharmaceuticals imports, both having a direct impact on IT and pharmaceuticals exports to US from India. US President signed an executive order that raised the annual H-1B visa application fee from USD1,000 to USD100,000 per applicant. This represents a 100x jump and applies prospectively to new applications. The program's mechanics remain the same with employers still required to sponsor foreign workers for roles requiring specialized skills, but now at a sharply higher cost.

US President also announced of a 100% tariff on imports of branded and patented pharmaceuticals, effective October 1, 2025, thereby introducing significant implications for global pharma players. The exemption for companies actively establishing US manufacturing facilities - "breaking ground" or construction already underway, does provide a pathway for compliance. For Indian pharmaceuticals exporters, the exclusion of generics offers some buffer, though regulatory uncertainties persist. Overall, the policy may likely reshape the competitive dynamics, highlighting both risk and opportunity across different segments of the pharmaceutical industry.

In a major boost to India's aspiration to become self-reliant, to build a global hub for electronics component manufacturing and a global scale supply chain, Government of India received investment proposals worth USD13bn.

## **Our view:**

Uncertainty due to relentless US trade policy surprises and the resultant volatility is keeping the market on its toes for last few months. Two new surprises i.e. information technology services (IT) and pharmaceuticals were added to the list last month. We believe, since H-1B lotteries and petitions are typically run in quarter four or quarter one, the first impact would likely be seen in FY2027 petitions. While this has a direct impact on Indian technology services companies, we note that situation is still evolving. We also observe that over the last decade, Indian technology services vendors have reduced their reliance on H-1B visas. With localization drives in the US and higher local hiring, only ~20% of employees are currently based on-site. Of this, 20% to 30% are on H-1B visas, implying that H-1B holders represent just 3% - 5% of the active workforce for a typical vendor. While the H-1B program is often portrayed as an 'India IT' visa channel, in practice, Big Tech companies (Google, Amazon, Microsoft, Meta, etc.) mostly account for a larger share of fresh applications than Indian companies. For Indian technology services companies, localization and subcontracting are already baked into their delivery models, making them relatively better placed to adjust but future US trade policy risk remains.

While we believe, the exclusion of generics from the tariff provides a key mitigating factor for most Indian pharmaceutical exporters, as the bulk of their US sales remain concentrated in the unbranded generics segment, however, the imposition of such a large tariff heightens policy risk and could shift the economics of supplying complex generics or specialty products to the US market.

In times of US trade policy challenges, geopolitical issues, and divergent corporate commentary, we are also witnessing patient, calm, determined and resolute steps by the Indian government in navigating the country and its economy through these turbulent waters. With India's GDP growth forecast revised upwards, benign inflation, resurgent consumption led demand, Government steadfast on infrastructure spend, strong tax collections, rising credit growth and stubborn domestic retail investor inflows, we believe the US trade policy uncertainty is the key headwind for Indian equities.

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.

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Founder and Chief Investment Officer

**EquiPoise Capital Management Private Limited**

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