

India Newsletter

November 2025

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MARKET OVERVIEW: India market update

In October, the MSCI India Index rose by 4.3%, marginally outperforming the MSCI Emerging Markets Index, which gained 4.1%. Sector performance was mixed, with real estate, communication services and energy leading the market, while consumer staples, consumer discretionary and utilities lagged. By market capitalisation, mid-caps outperformed, with the MSCI India Mid Cap Index advancing 4.7%, compared to gains of 4.2% for large caps and 3.5% for small caps.

High-frequency indicators suggest that economic activity remained resilient despite persistent external headwinds. Goods and Services Tax¹ (GST) collections increased to INR 1.95 trillion from INR 1.87 trillion a year earlier, supported by September's GST rate rationalisation and robust festive-season demand. Rate cuts and seasonal factors also boosted automobile sales, with retail volumes rising 21% year-on-year. Growth was broad-based across segments: two-wheelers (+22%), passenger vehicles (+23%), commercial vehicles (+15%), tractors (+14%) and three-wheelers (+9%). Construction equipment was the sole laggard, declining 30% year-on-year. Headline Consumer Price Index² (CPI) inflation fell by 1.2 percentage points to a record low in the current (2012=100) series, driven by easing food prices, GST rate cuts and favourable base effects.

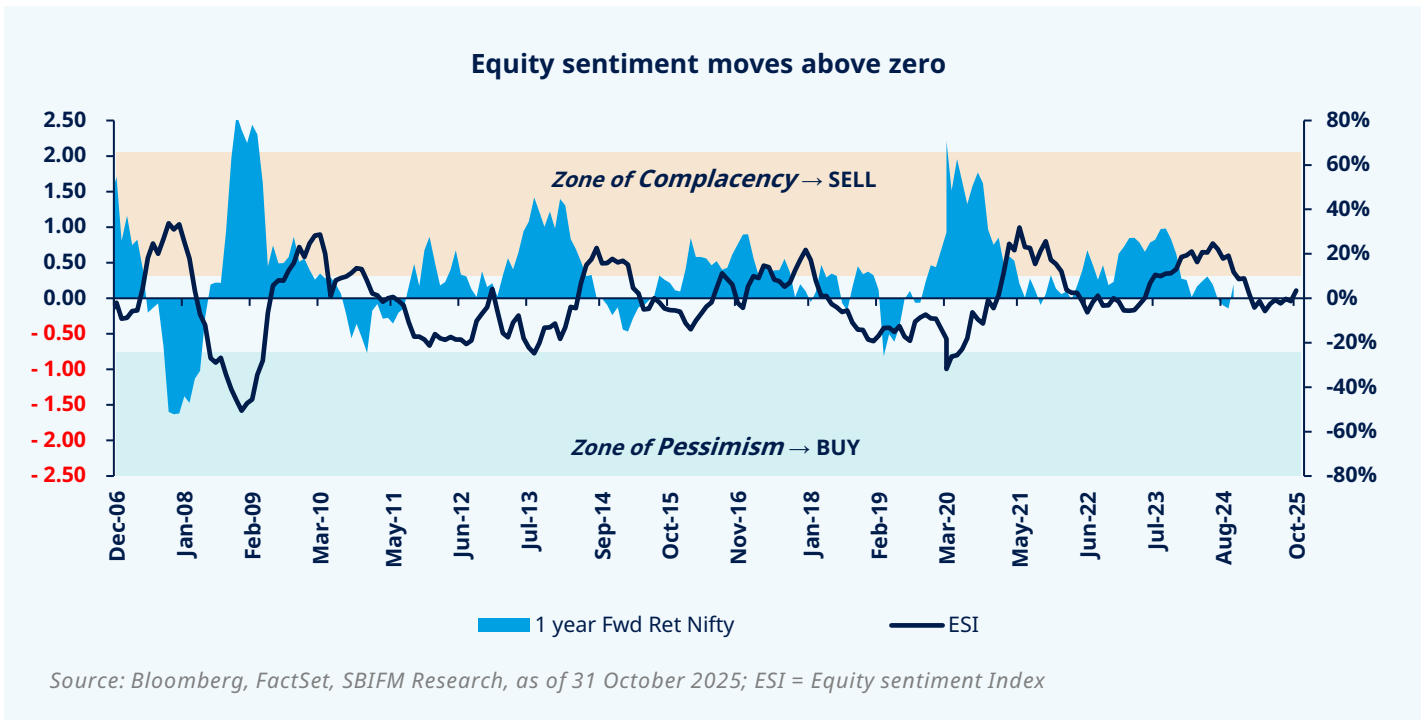
In contrast, the merchandise trade deficit widened to an all-time high as exports contracted after three consecutive months of expansion, reflecting global headwinds, while imports surged on higher gold and silver inflows amid festive demand. Industrial activity in the eight core sectors was flat, with growth in steel, cement, fertilisers and refinery products offset by contractions in coal, electricity, natural gas and crude oil. Overall, domestic demand indicators remain robust, but external imbalances and sectoral divergences deserve close monitoring.

SBI FM's proprietary equity sentiment indicator moved above zero, signalling a contrarian view. Valuations have turned moderately expensive, with the earnings yield-to-bond yield spread correcting to -2.78% compared to its historical average of -2.18%.

External headwinds could introduce near-term volatility. However, domestic macro indicators and policy continuity persist in underscoring stability. The recently concluded Bihar state elections, in which the ruling party secured a decisive majority, reinforce political stability and a pro-consumption policy stance. Generous cash transfers highlight efforts to stimulate demand and crowd in private investment. Additionally, with elections in a key corn-producing state concluded and U.S. farm-import risks reduced, India can accelerate the finalisation of trade deals. Policy visibility remains critical as markets navigate a strong domestic backdrop against a weak global outlook. Nonetheless, stable fundamentals and accommodative measures continue to support India's resilient growth trajectory.

¹Goods and Services Tax (GST): A unified indirect tax in India on the supply of goods and services, replacing multiple state and central taxes.

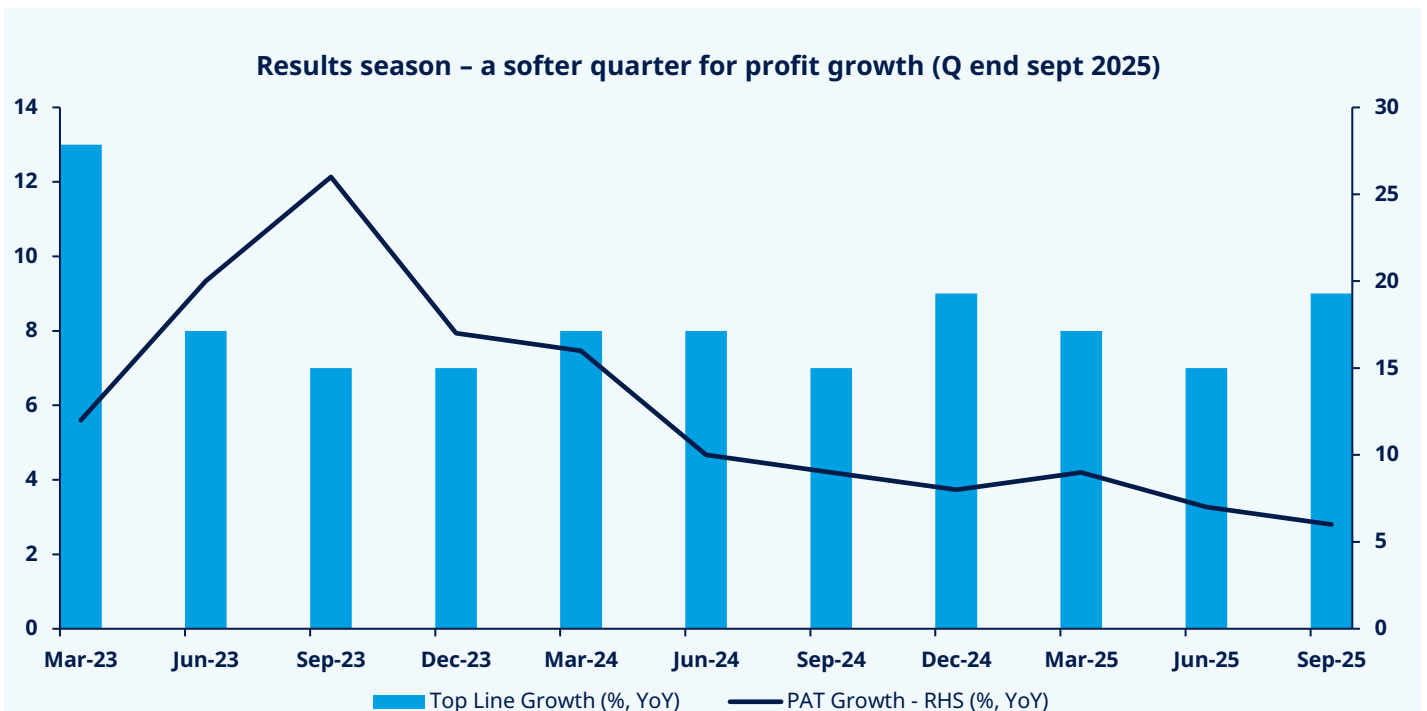
²Consumer Price Index (CPI): A measure that examines the weighted average of prices of a basket of consumer goods and services, indicating inflation.



India earnings review

The September quarter marked a softer earnings season for Indian corporates, with both revenue and profit growth slipping into single digits. This was the first quarter in three years where profit growth trailed top-line growth, indicating margin pressures amid a normalizing cost environment. While Q2 FY26 (July–September) was muted, structural drivers and policy support point to a recovery in earnings momentum in the coming quarters.

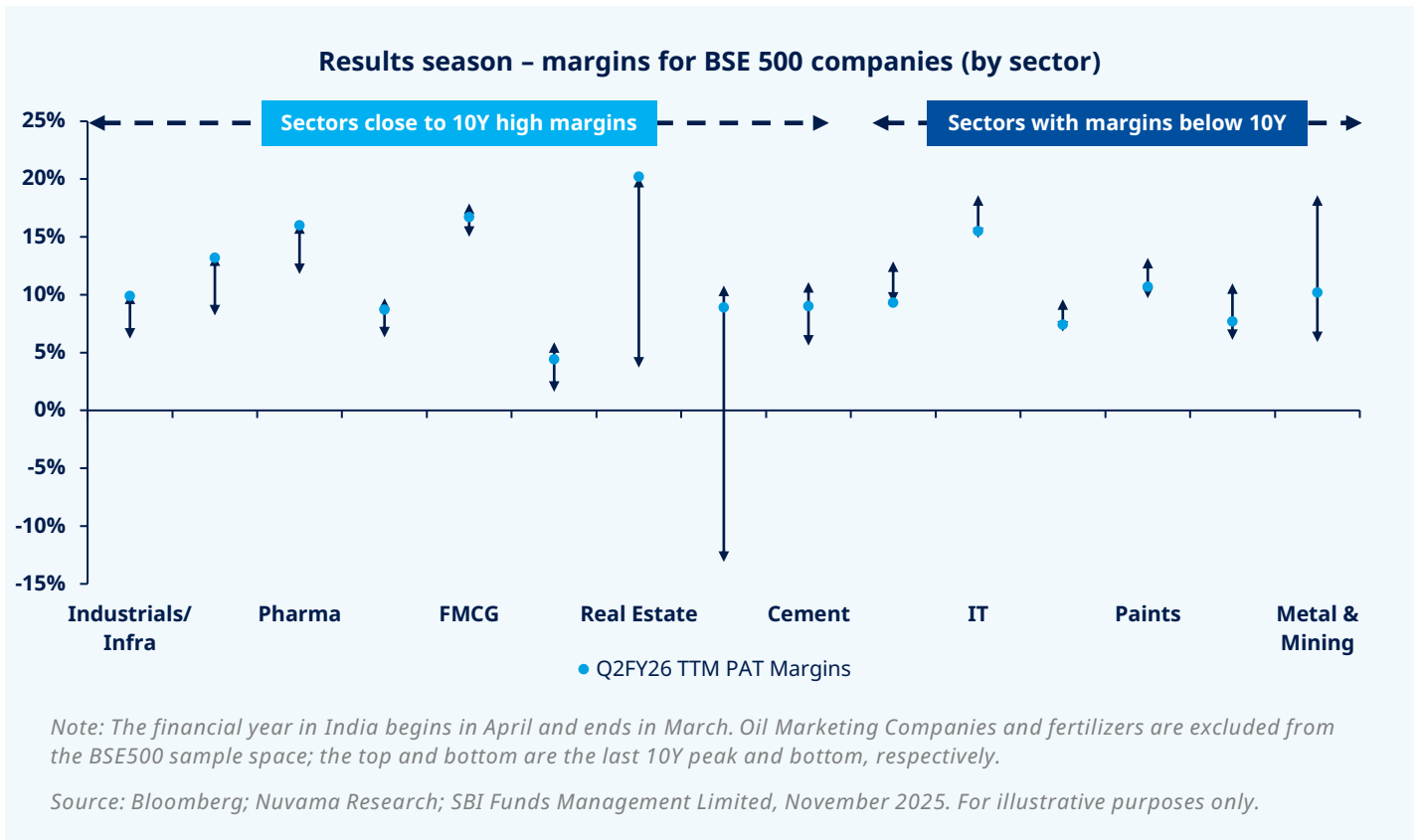
Revenue growth remained modest, while profit growth undershot, reflecting rising input costs and normalization of operating leverage.



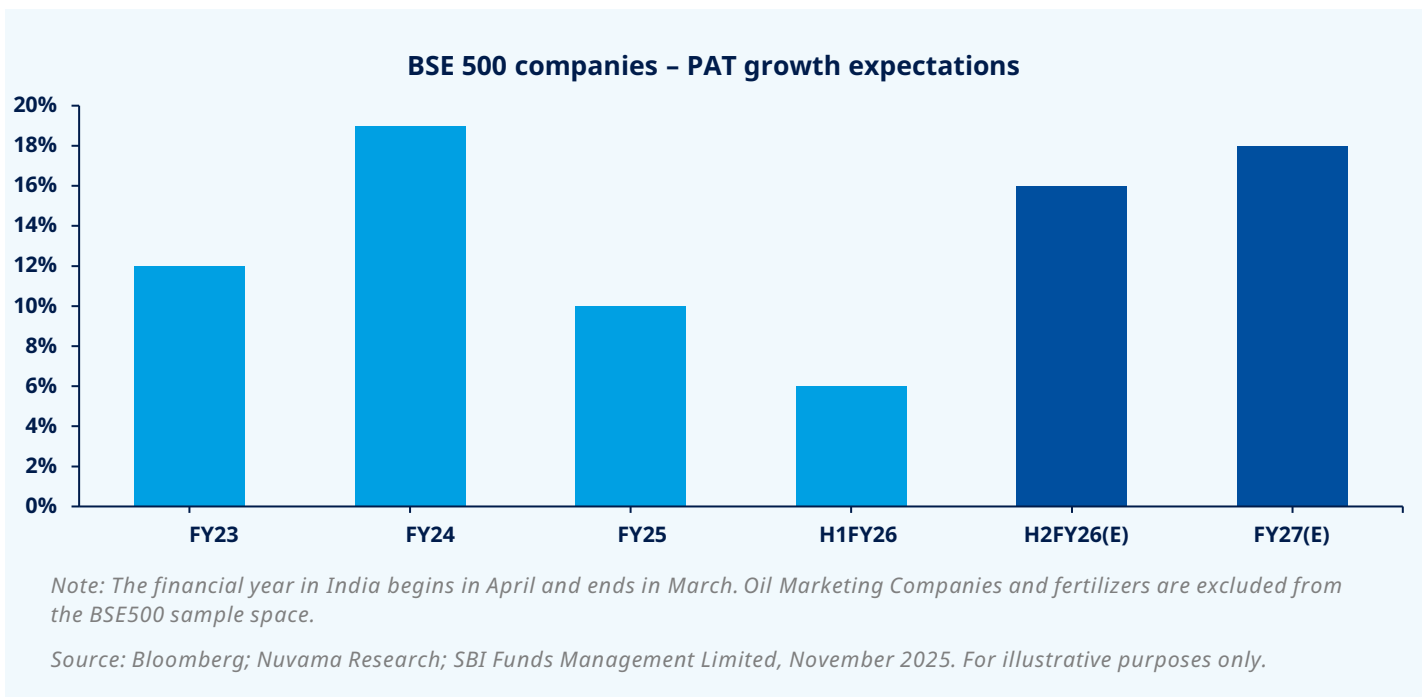
Note: The financial year in India begins in April and ends in March. The above analysis is for BSE500 Companies (ex-Oil Marketing Companies). PAT: Profit After Tax.

Source: Capitaline; Bloomberg; Nuvama Research; SBI Funds Management Limited, November 2025. For illustrative purposes only.

Sectoral margins, though near decadal highs, show signs of peaking. Consensus expects further margin expansion driven by demand recovery—supported by tax cuts, cash transfers, and rate reductions—and potential supply-side tailwinds from lower oil prices.

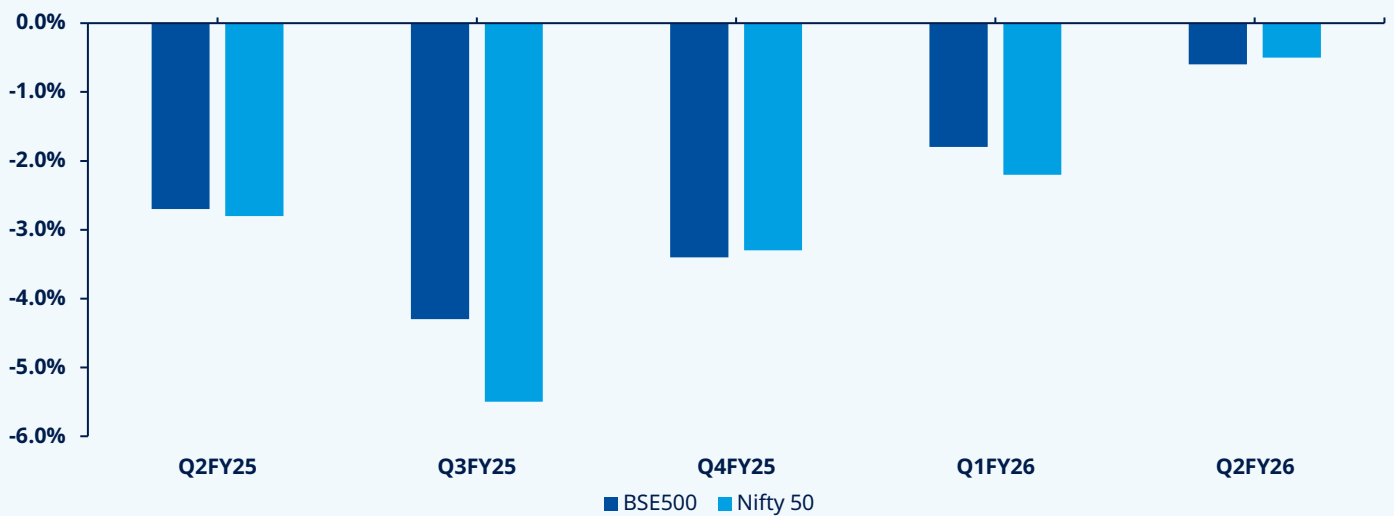


Despite disruptions in the first half of the year from geopolitics, erratic weather, and GST realignment, consensus forecasts a strong rebound in the second half, aided by easing India-US trade frictions and domestic reflationary measures.



The pace of earnings downgrades is slowing, indicating stabilizing expectations.

The pace of earnings downgrade is reducing



Note: The financial year in India begins in April and ends in March. Bloomberg consensus.

Source: Bloomberg; Nuvama Research; SBI Funds Management Limited, November 2025. For illustrative purposes only.

While Q2 FY26 was muted, the combination of policy support, normalising input costs and likely demand re-acceleration suggests that earnings momentum should recover over the coming quarters.

3Es that gives India long term edge

India's long-term investment potential has often been underestimated, yet its track record tells a powerful story. Since the start of this century, India has delivered one of the strongest and most consistent wealth-creation outcomes globally. A \$10 million investment in Indian equities in 2000 would have grown nearly 14 times by 2025, compared to 7.4 times in the U.S. and 5.5 times in China. This performance reflects India's structural strengths and its ability to generate superior returns for patient capital.

Indian in global context

Economy	Economic Growth* (x)	Value of \$10M Invested* at the Start of this Century (x)
China	17x	5.5x
US	3x	7.4x
India	8.5x	13.9x

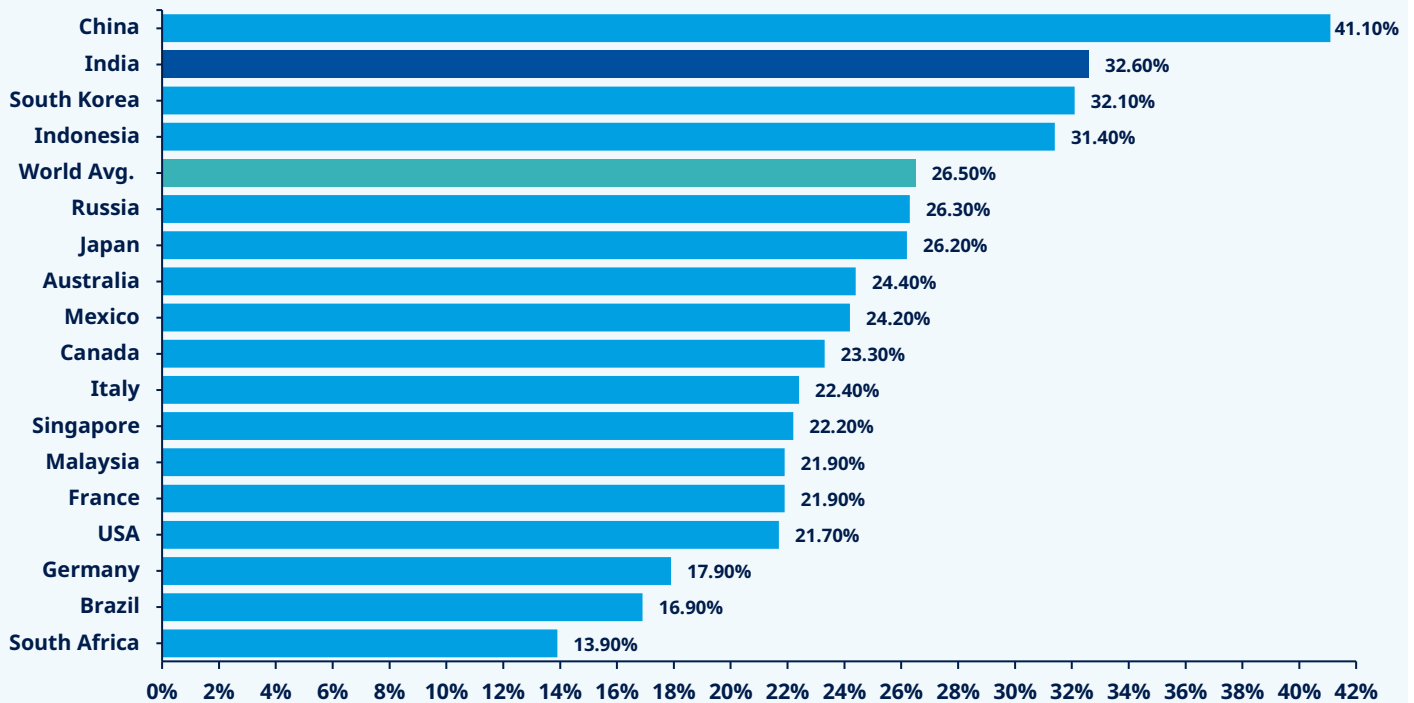
*The economic growth or GDP is in Current USD between Dec'99 and Dec'24; Value of investments is in USD, CAGR for the following index tickers: SHCOMP Index (China); SPX Index (US); BSE500 Index (India). The dates for calculating performance are from 30 December 1999 to 30 September 2025. Source: Bloomberg.

What drives this outperformance?

India's focus on entrepreneurship, equity culture, and ease of doing business has created a dynamic environment for growth. Recent developments underscore this conviction: an entrepreneur-led, service-embedded manufacturing company launched its IPO, McDonald's is setting up its largest office outside its home country in India, Vanguard is establishing its global value centre, and automotive giants like Honda, Nissan, and Ford have made India a hub for exports.

Investment momentum remains robust. India consistently ranks among the highest globally in investment intensity, with Gross Capital Formation³ (GCF) as a share of GDP at levels that support infrastructure and manufacturing expansion. Globally, investment rates have remained stable at around 25–26% of GDP over the past five decades, and India continues to outperform this benchmark.

Investments across select countries (GCF as % of GDP)

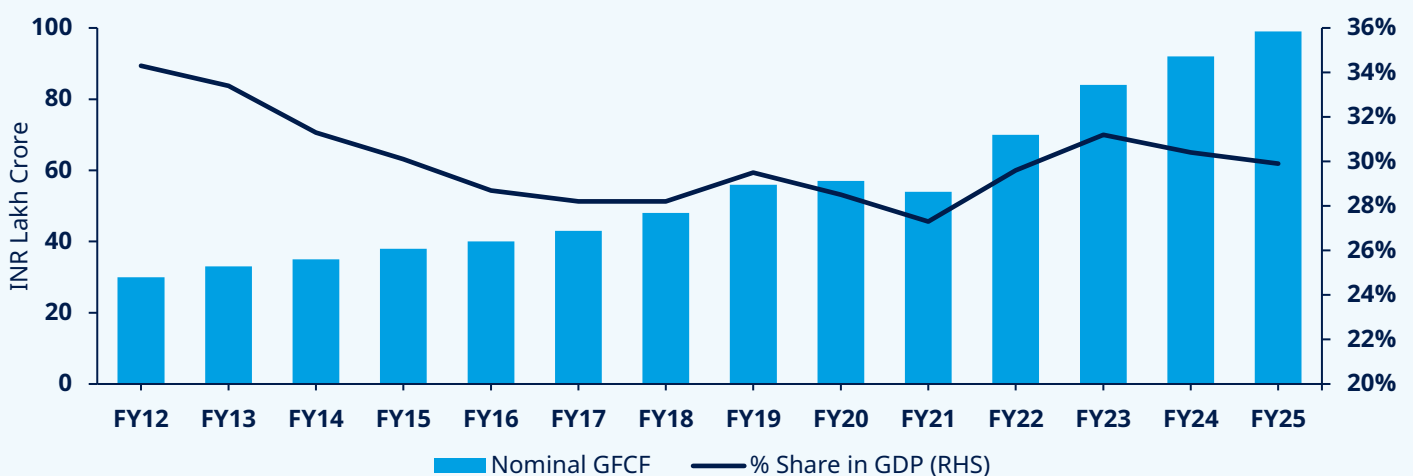


Note: GCF is Gross Capital Formation.

Source: World Bank; NSE EPR; SBI Funds Management Limited, November 2025. For illustrative purposes only.

Investment acts as an essential complement to consumption, enabling economies to avoid bottlenecks, ease inflationary pressures, and ensure balanced growth.

Investments across select countries (GCF as % of GDP)



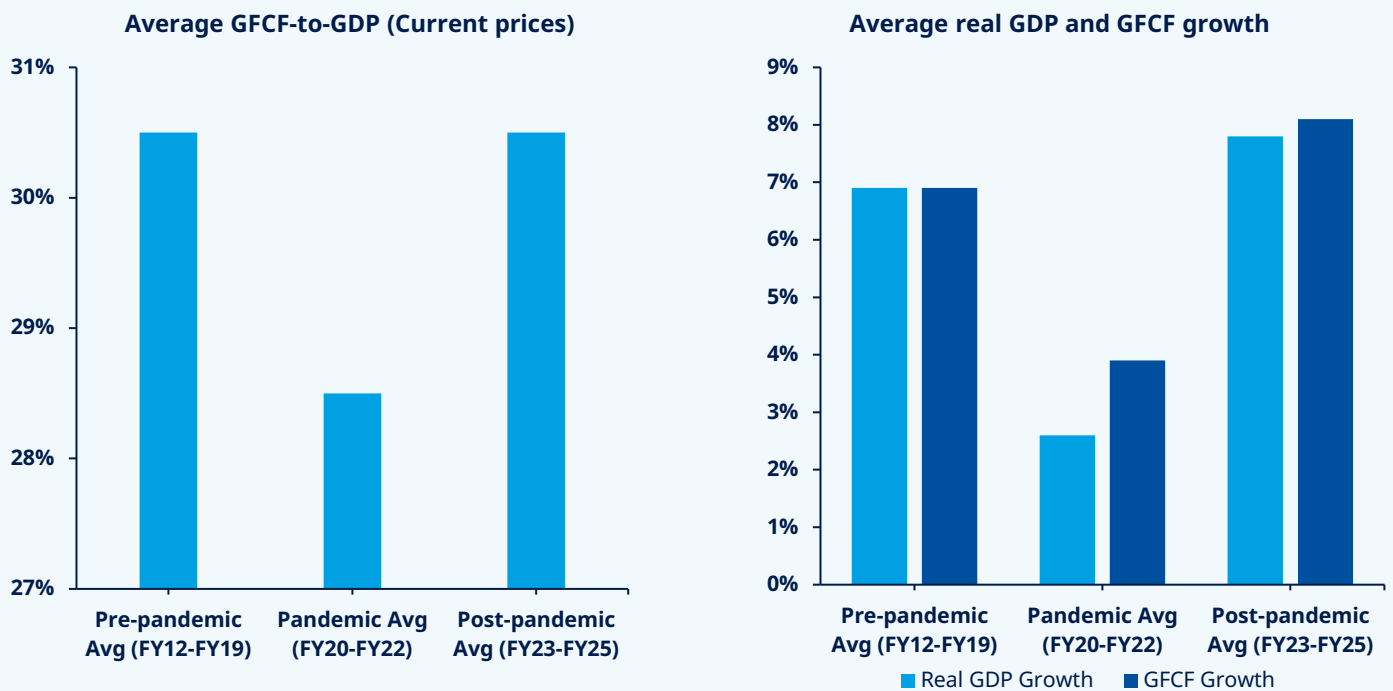
Note: GFCF is Gross Fixed Capital Formation. The financial year in India begins in April and ends in March.

Source: MoSPI; RBI; NSE EPR; SBI Funds Management Limited, November 2025. For illustrative purposes only.

³Gross Capital Formation (GCF): The total value of investments in fixed assets and inventories within an economy during a given period.

Post-pandemic, investment activity has improved gradually despite global headwinds, and the composition of investments has shifted toward services, driving capital deepening and employment diversification.

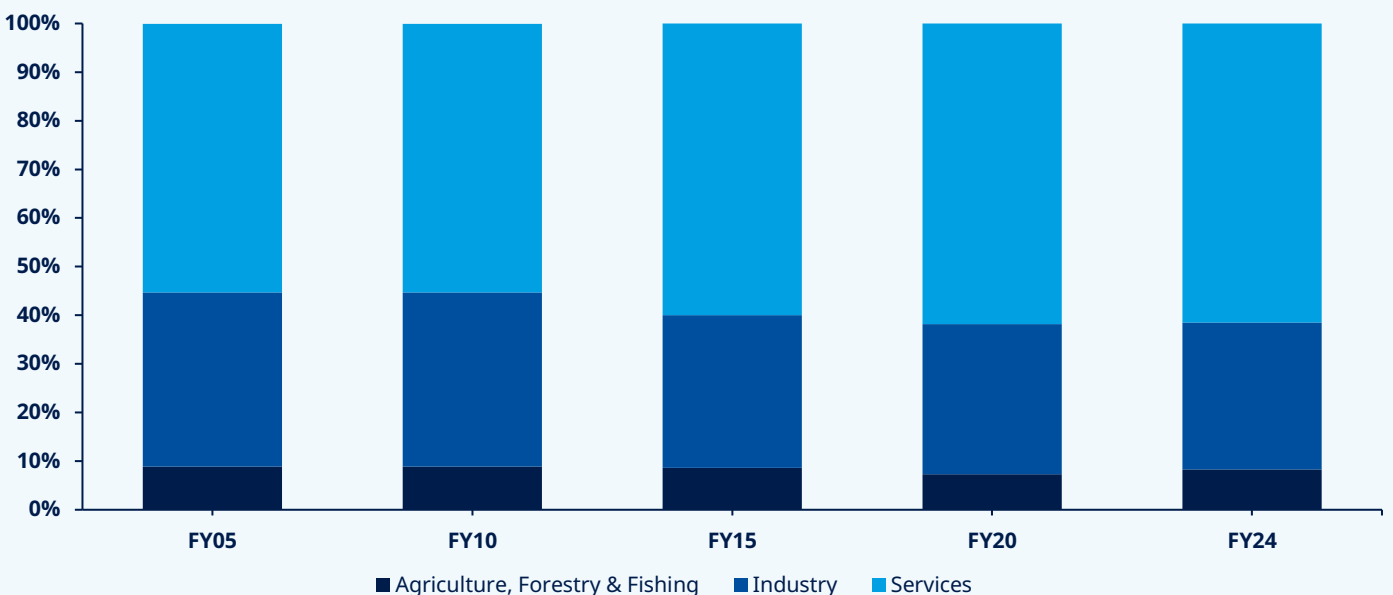
Investments picked up post-pandemic



Note: GFCF is Gross Fixed Capital Formation. The financial year in India begins in April and ends in March.

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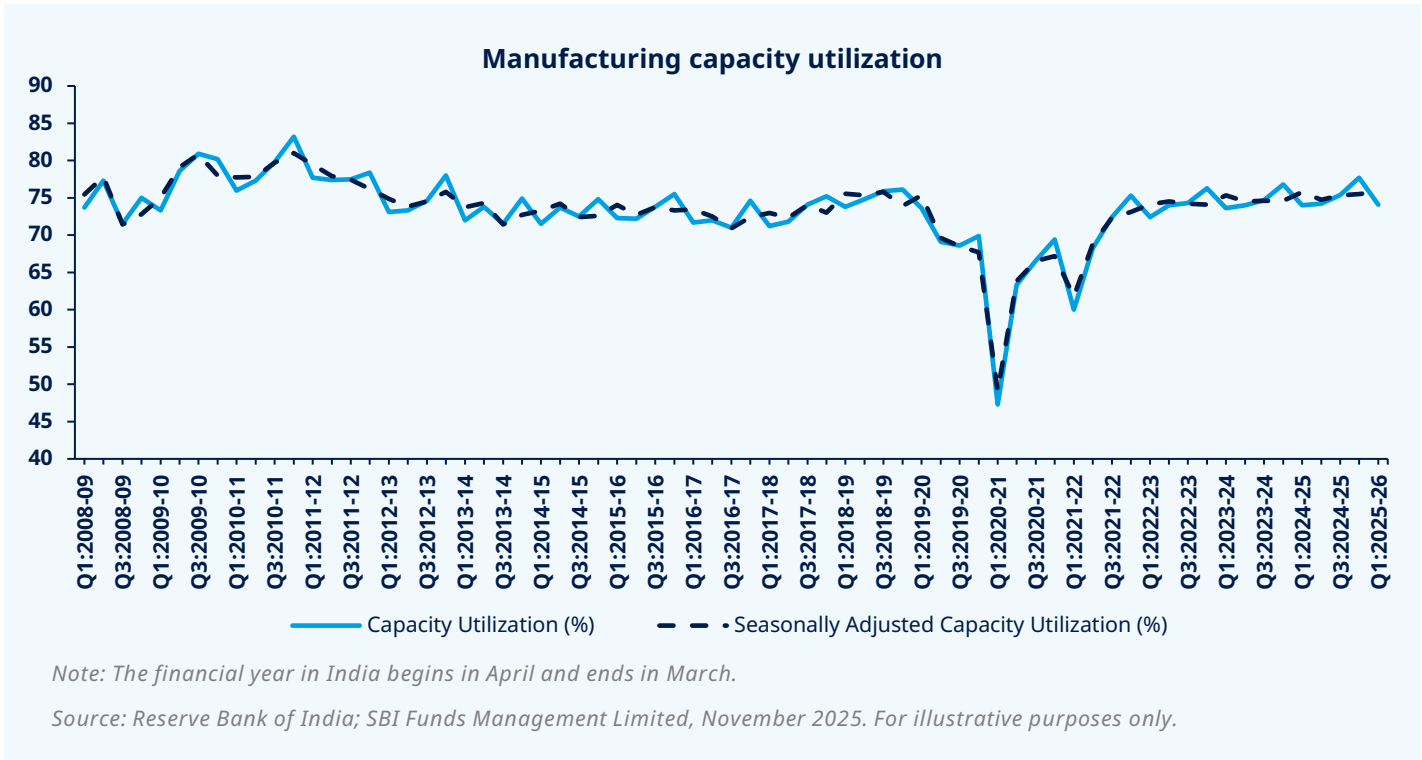
Composition of GFCF across sectors



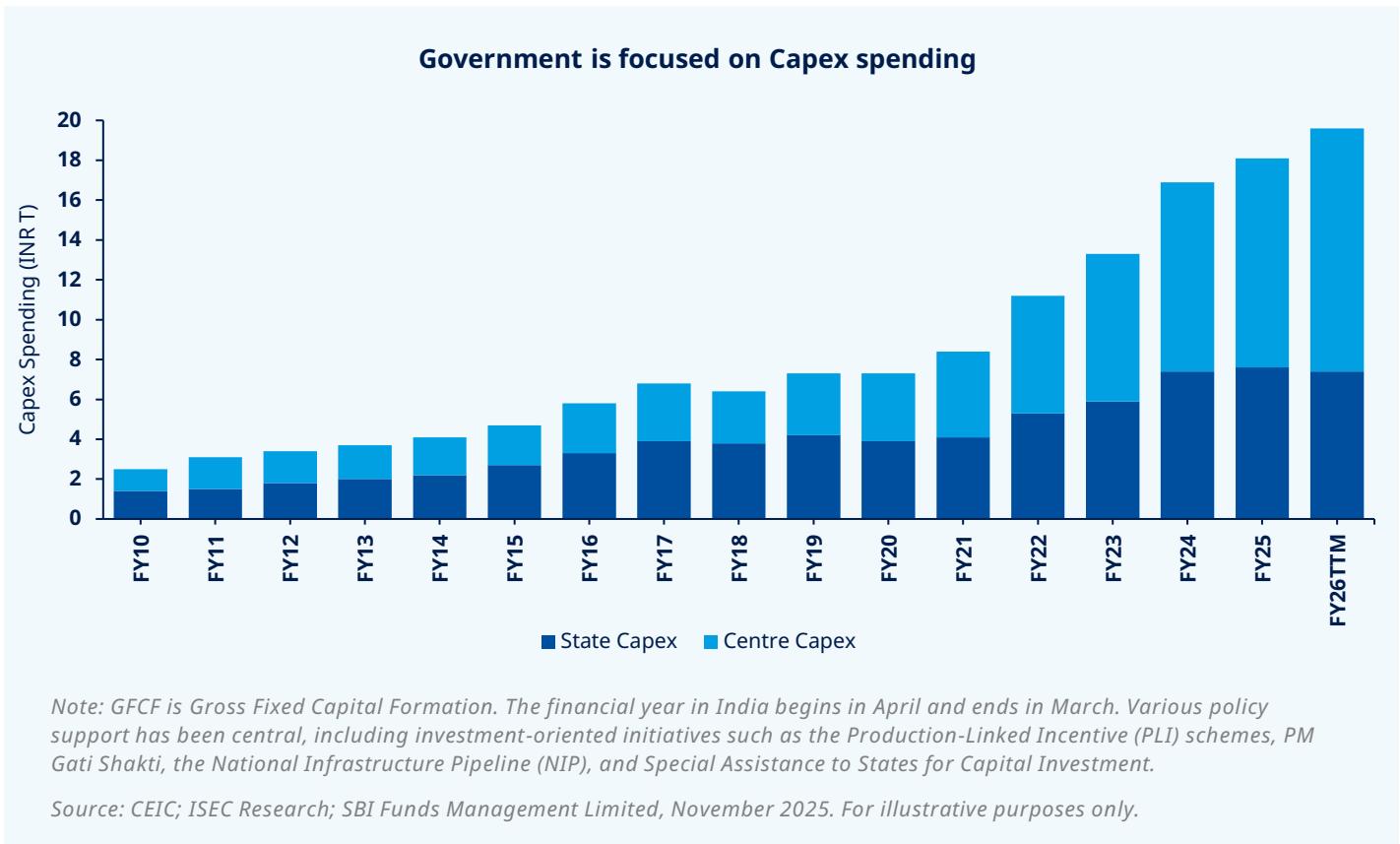
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Source: MoSPI; RBI; NSE EPR; SBI Funds Management Limited, November 2025. For illustrative purposes only.

We believe Macro indicators reinforce this trend. Manufacturing capacity utilization stands at 75.8%, signalling readiness for expansion.



Lending rates have eased by 55–65 bps, supporting credit growth and private investment. Public expenditure has done the heavy lifting, with capex during FY21–25 more than doubling the previous five-year period, aided by initiatives like Production-Linked Incentive⁴ (PLI) schemes, PM Gati Shakti⁵, and the National Infrastructure Pipeline⁶.



⁴Production-Linked Incentive (PLI): A government scheme offering financial incentives to companies based on incremental production to boost domestic manufacturing.

⁵PM Gati Shakti: A national master plan for integrated infrastructure development aimed at improving logistics efficiency and connectivity.

⁶National Infrastructure Pipeline (NIP): A government initiative outlining planned infrastructure projects across sectors to be implemented over a multi-year period.

In SBI FM views, India's growth story is anchored in structural reforms, strong investment momentum and policy continuity. Despite global uncertainties, India offers a unique blend of scale, stability and opportunity, making it a compelling destination for long-term investors.

Important information – Marketing Communication

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Date of first use: 28 November 2025

Doc ID: 5025944