

India Newsletter

October 2025

In this edition...

- **Market overview: India market update**
- **India's electronics revolution: from an importer to global exporter**
- **Indian equity landscape: a new frontier for global listings**

MARKET OVERVIEW: India market update

In September, the MSCI India Index rose by 0.5%, underperforming the MSCI Emerging Markets Index, which gained 7.0%. Sector performance was mixed: Utilities, industrials, and consumer discretionary outperformed, while information technology, consumer staples, and healthcare lagged. By market capitalization, the MSCI India Large Cap Index led with a 0.6% gain, compared to a 0.1% decline of MSCI India Mid Cap Index and a modest 0.3% rise in the MSCI India Small Cap Index.

India's macroeconomic indicators remained robust. GST¹ collections increased to INR1.89 trillion from INR1.73 trillion a year earlier, signalling strong consumption and improved tax compliance. The automobile sector posted solid growth, supported by festive demand and early benefits from GST 2.0 reforms. Automotive retail surged 34% Year-on-Year (YoY), led by two-wheelers (+36%), passenger vehicles (+34.8%), three-wheelers (+24.5%), and tractors (+18.7%). Construction equipment sales fell 18% due to heavy rains disrupting activity. Inflation eased sharply, with CPI² inflation falling to a 99-month low of 1.5%, driven by food and beverages disinflation (1.4%, an 81-month low). In response, the RBI³ revised its FY26⁴ inflation forecast down to 2.6%, continuing a trend from 4.2% in February to 3.7% in June and 3.1% in August. The repo rate was held steady at 5.5%, maintaining a neutral stance supportive of growth.

However, external sector trends were less favourable. Exports rose modestly to USD 67.2 billion (+0.8% YoY), while imports increased 11.3% to USD 83.8 billion, widening the trade deficit to USD 16.6 billion—nearly double the USD 8.6 billion recorded in September 2024. Core infrastructure growth slowed to a three-month low of 3% YoY, with coal, crude oil, natural gas, and refinery products contracting, while fertilisers, cement, and electricity posting slower growth. Steel was the only sector to register annual growth, outperforming its previous month.

SBIFM's proprietary equity sentiment indicator remains below zero, acting as a contrarian signal. Market optimism has moderated, improving long-term entry points. Valuations have become more reasonable amid easing bond yields and lower P/E multiples. The earnings yield-to-bond yield spread stands at -2.32%, slightly above its historical average of -2.18%, indicating relative valuation comfort.

¹GST: Goods and Services Tax, a unified indirect tax introduced in July 2017 to replace multiple central and state levies.

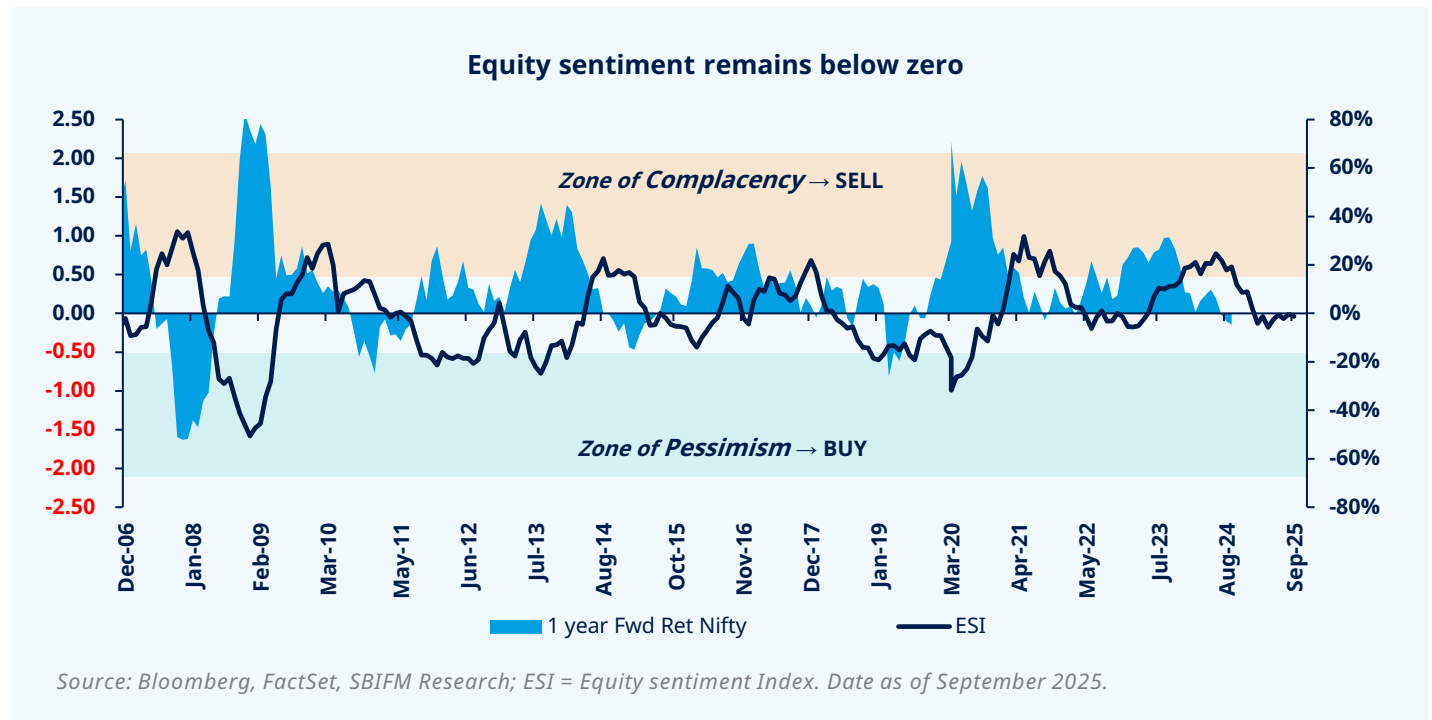
²CPI: Consumer Price Index, which measures changes in retail prices of a representative basket of goods and services and is used to track consumer inflation.

³RBI: Reserve Bank of India.

⁴FY: India's financial year runs from April 1 to March 31 of the following year.

External headwinds could introduce near term volatility. In September, U.S. government imposed a USD 100,000 one-time fee on new H-1B visa applications⁵. While this represents a significant cost increase, Indian IT firms have proactively reduced H-1B dependency, with only 3–5% of their workforce currently on such visas, down from 20–30% in FY17–18. Additionally, a 100% tariff on branded and patented pharmaceutical imports was announced, effective October 1, unless firms establish U.S. manufacturing facilities.

Overall, while domestic demand remains strong and inflation is under control, external challenges could add near-term volatility. Stable macro fundamentals and accommodative policy measures continue to support India's resilient growth outlook.



India's manufacturing sector: booming electronic goods

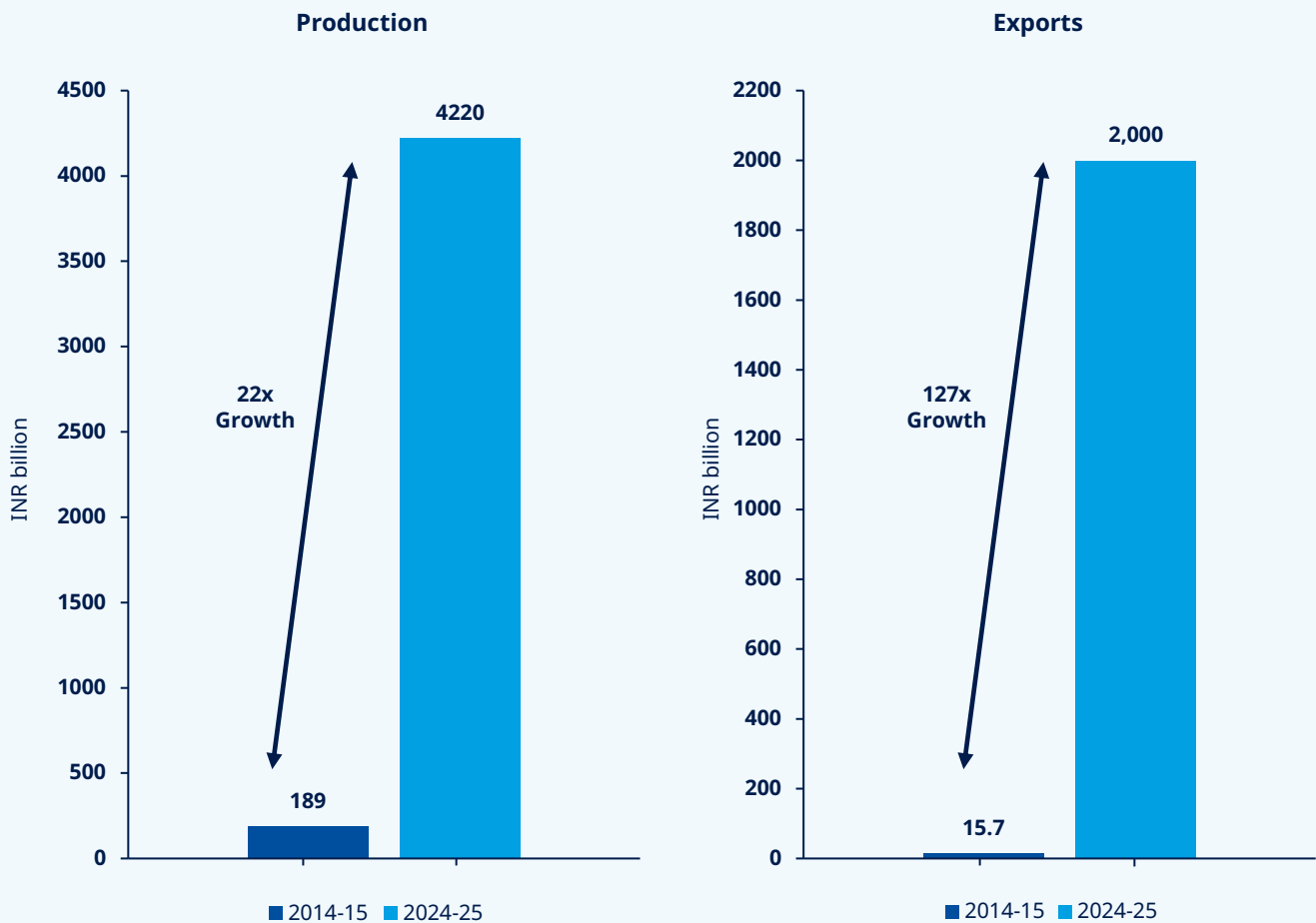
India's ambition to become a manufacturing powerhouse is central to its goal of achieving developed-nation status. Policy initiatives over the past decade have transformed the country into a global electronics manufacturing hub. From a negligible base, India has become the world's second-largest mobile phone producer, driven by strong policy support, rising domestic demand, and growing export competitiveness.

It is also becoming one of the fastest-growing segments of India's economy. India's electronics manufacturing sector has undergone a dramatic transformation, positioning the country as a global hub for production and exports. In 2014–15, only 26% of mobile phones sold in India were locally made; today, that figure has surged to 99.2%. The number of manufacturing units has expanded from just two to over 300 nationwide.

The manufacturing value of mobile phones has risen from INR189 billion (US\$2.3 billion) in FY14 to INR4,220 billion (US\$50.8 billion) in FY24. Exports have grown from INR15.7 billion (US\$188.7 million) in FY14–15 to INR2,000 billion (US\$24.1 billion) in FY24–25—a 127-fold increase.

⁵The USD 100,000 fee is charged once when submitting a new H-1B visa petition and does not affect holders of existing valid H-1B visas.

Growth of mobile phone production and exports in India (in INR billion)



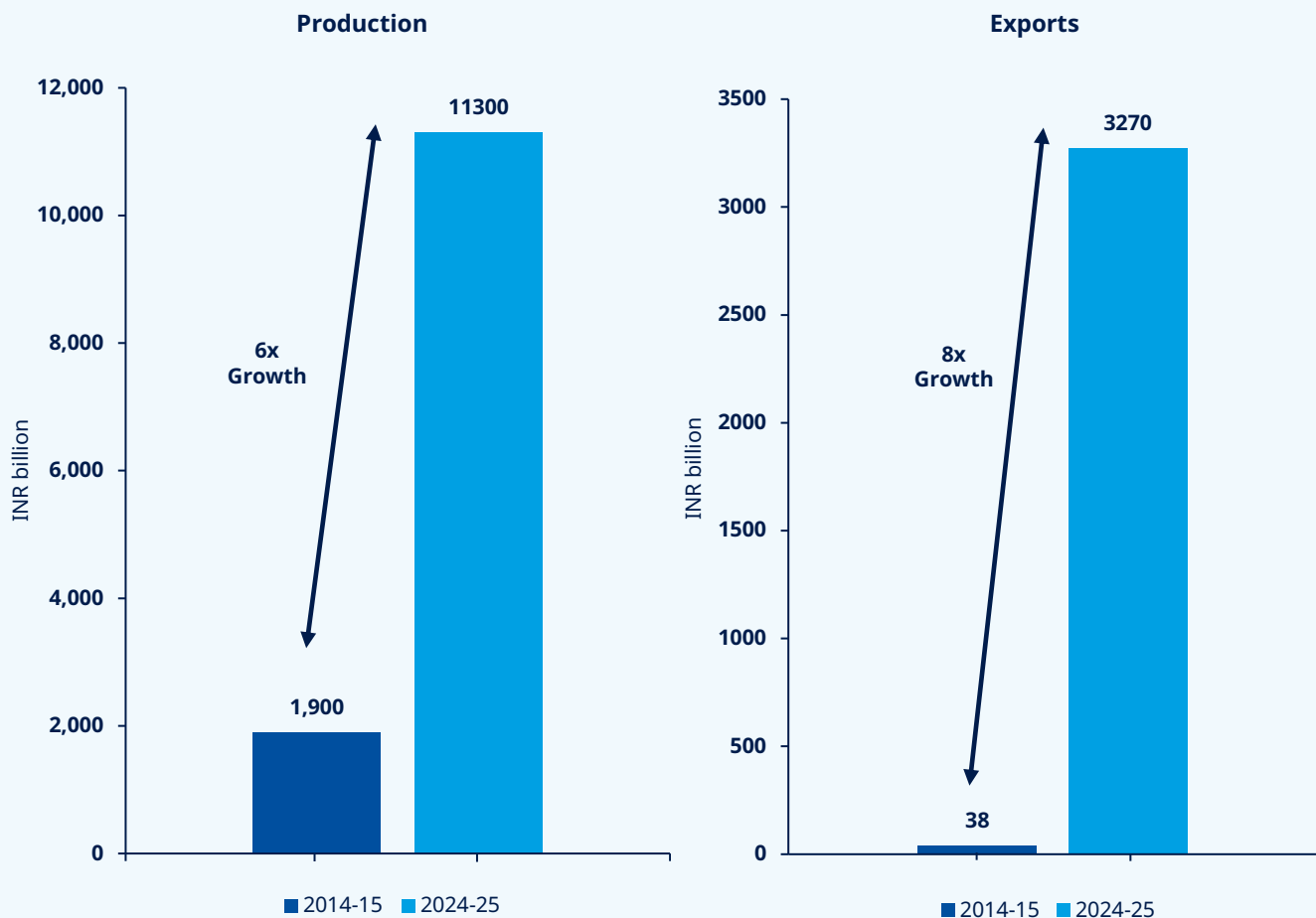
Note: The above data is for the financial year. India's financial year starts in April and ends in March.

Source: PIB; Ministry of Electronics and IT, Govt. of India; SBIFM. October 2025. For illustrative purposes only.

In just the first five months of FY 2025–26, smartphone exports surpassed INR1,000 billion (US\$12 billion), up 55% YoY, with India overtaking China as the top smartphone exporter to the United States. Annual production now exceeds 325 million units. Apple sources roughly one in seven iPhones from India, while Samsung operates its largest global phone-making facility in the country.

The broader electronics sector mirrors this momentum. Production has increased nearly six-fold, from INR1,900 billion (US\$22.9 billion) in FY14–15 to INR11,300 billion (US\$136.1 billion) in FY 2024–25, supported by strong policy measures and expanding manufacturing capacity. Exports of electronic goods grew eight-fold over the decade, reaching INR3,270 billion (US\$39 billion) in FY 2024–25, making electronics India's fastest-growing export segment.

India's electronics leap - production & exports (in INR billion)



Note: The above data is for the financial year. India's financial year starts in April and ends in March.

Source: PIB; Ministry of Electronics and IT, Govt. of India; SBI Funds Management Limited. October 2025. For illustrative purposes only.

India's semiconductor ecosystem is also gaining significant traction, with five landmark projects approved, representing investments of nearly INR1,520 billion (US\$18.3 billion). These aim to reduce import dependence and strengthening India's position in advanced technology manufacturing.

Production Linked Incentive (PLI) schemes have driven cumulative electronics production worth INR9,058 billion (US\$109 billion) and attracted investments exceeding INR126 billion (US\$1.5 billion) as of August 2025⁶.

With electronics production targeted to reach US\$300 billion by FY26 and exports continuing to grow, SBIFM views this sector as a key driver of India's manufacturing growth and a potential area of opportunity for investors.

Indian equity landscape: a new frontier for global listings

In October 2025, LG Electronics India made a landmark debut on the Indian stock market with a market capitalization of US\$13 billion, surpassing its South Korean parent company⁷. This is part of a broader trend in which subsidiaries of multinational corporations are choosing to list in India—even when they remain unlisted in other markets apart from their home country. The following table illustrates examples of global companies that have embraced India's equity markets as a strategic platform for growth.

⁶Source: PIB; Ministry of Electronics and IT, Govt. of India; SBI Funds Management Limited.

⁷Source: [Reuters](#).

A few India listed multinational companies

Operating	Listed in			
	No. of countries	Home country	India	Others
Bosch Ltd	1	X	✓	X
3M India Ltd	2	✓	✓	X
Maruti Suzuki India Ltd	2	✓	✓	X
Vedanta Ltd	2	✓	✓	X
Schaeffler India Ltd	2	✓	✓	X
Hyundai Motor India Ltd	2	✓	✓	X
Cummins India Ltd	2	✓	✓	X
SKF India Ltd	2	✓	✓	X
LG Electronics India	2	✓	✓	X
Crisil India (a company of S&P Global)	2	✓	✓	X
Gland Pharma Ltd. (Shanghai Fosun Pharma)	2	✓	✓	X
P&G Hygiene & Health Care Ltd.	2	✓	✓	X
Timken India Ltd.	3	✓	✓	✓
ABB India Ltd.	3	✓	✓	✓
Linde India Ltd.	3	✓	✓	✓
Castrol India Ltd.	3	✓	✓	✓
Abbott India Ltd.	3	✓	✓	✓
Escorts Kubota Ltd	4	✓	✓	✓
Colgate-Palmolive India Ltd.	4	✓	✓	✓
GlaxoSmithKline Pharmaceuticals Ltd	4	✓	✓	✓

Note: The list above is not exhaustive. Only those listings are included where prices are available daily. Excludes the ADRs (American Depositary Receipts) and GDRs (Global Depositary Receipts) listing exchanges. Source: Bloomberg, SBIFM.

India's equity markets are among the most liquid and transparent in emerging economies. The National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) collectively host over 5,800 companies, with a combined market capitalization exceeding INR 467 trillion as of October 2025⁸.

SBIFM believes that the listing of global companies in India reflects confidence in the country's regulatory framework and depth of its investor base, while also creating opportunities for value generation.

⁸Source: *BSE India*.

Important information – Marketing Communication

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