An insightful roundup of relevant stories in the recent month backed by interesting data points

An American spaceflight was launched on April 11, 1970, with the mission of landing on the moon. However, just two days into the journey, an oxygen tank exploded, threatening the lives of the astronauts. Consequently, the oxygen levels of the spacecraft began to deplete, making the lunar landing impossible.

With the clock ticking, the astronauts used the Lunar Module Aquarius as a lifeboat and collaborated with the ground control to navigate the turbulence.

Driven by resilience and the skill to adapt, the astronauts returned safely to Earth on April 17, 1970.

This image is only for representation purpose.

Just as how the astronauts grappled with unforeseen adversities, the equity markets are currently trapped in a whirlwind of challenges. To navigate market volatility, investors should consider mutual fund schemes with a flexible mandate, where the fund manager has the flexibility to change the allocation based on market conditions.

While we ponder about the course ahead, it is important to connect the dots with key market events of February 2025.

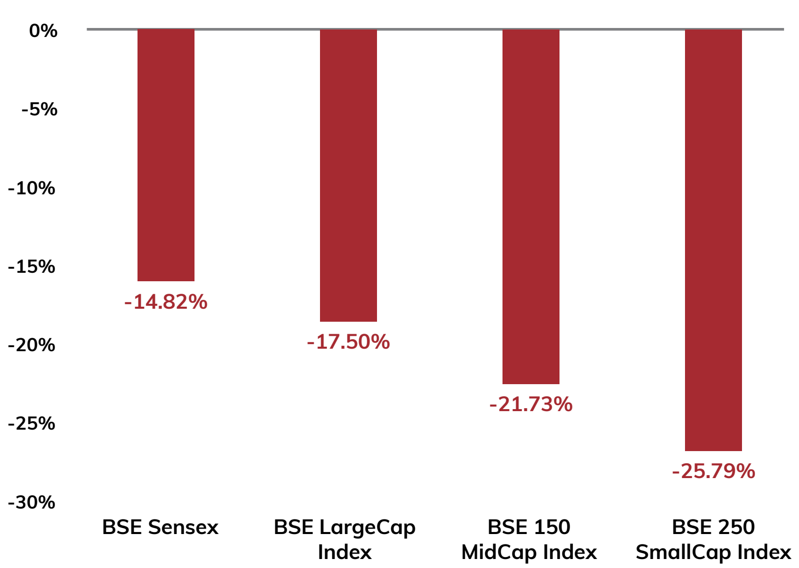
Equity markets in choppy waters – Which factors spooked the market bulls?

ICICI PRUDENTIAL MUTUAL FUND

One of the most valuable morals of life is that, 'It takes years to build trust in a relationship, only seconds to break and a long time to repair' – Equity markets are rattled by the **tariffs imposed by the U.S. on Canada, Mexico and China,** stoking fears of a full-blown trade war. Adding to the meltdown, **geopolitical conflicts between Russia and Ukraine intensified,** posing risks to the global energy supply chain.

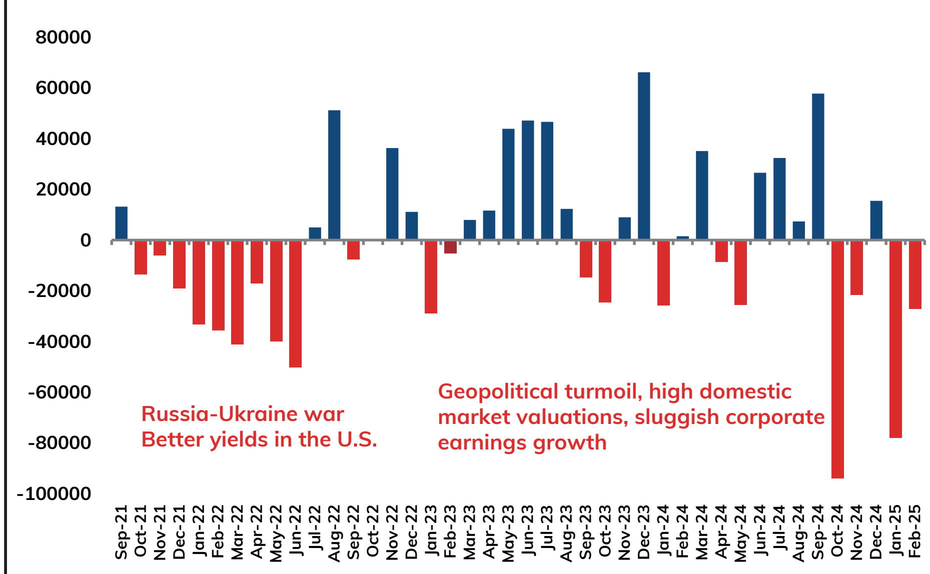
In February 2025, foreign portfolio investors offloaded Indian equities worth ₹34,574 crore, owing to increasing global uncertainties and a sluggish Q3FY25 corporate earnings growth. Moreover, the U.S. 10-year Treasury yields are approaching 5%, offering an attractive investment opportunity to global investors.

INDEX RETURNS SINCE THE SEPTEMBER 26, 2024 HIGH (%)



Source: Returns calculated from the September 26, 2024 high to the February 28, 2025 closing level.

MONTHLY FPI NET INVESTMENTS IN INDIAN EQUITIES (₹, CRORE)



Source: National Securities Depository Limited (NSDL).
*February 2025 data is up to February 28, 2025. U.S.: United States

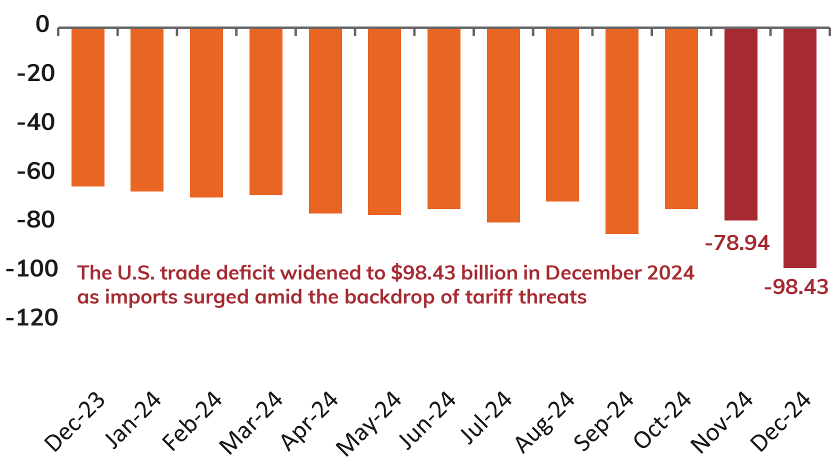
With the U.S. dollar gaining strength against all odds, is there more pain in store for the emerging markets? Only time will tell.

The scorching heat of sweeping U.S. Tariffs

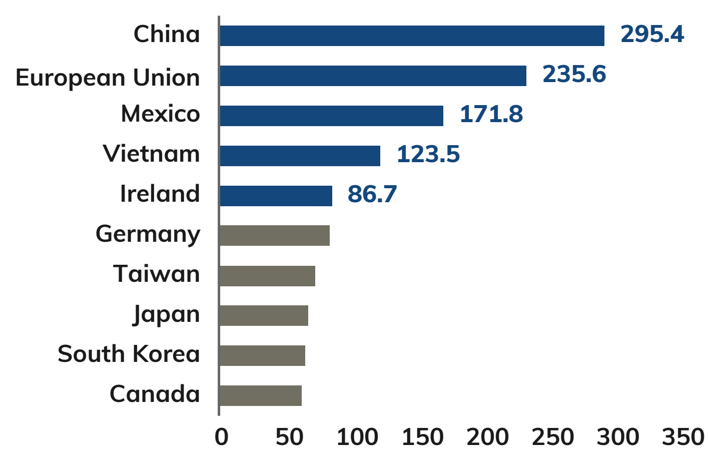
In February 2025, the U.S. President fired the 'Opening Salvo' of a tariff era by imposing an additional 10% tariff on Chinese imports. In retaliation, China announced a 15% tariff on U.S. coal and liquefied natural gas, along with a 10% tariff on U.S. crude oil, agricultural equipment and specific vehicles.

Further, the U.S. president levied a 25% tariff on all steel and aluminium imports, effective from March 12, 2025 – a move that could nag the global metals market. What's more? **The government unveiled the plan to impose reciprocal tariffs on all trading partners,** indicating that the U.S. would match the tariffs imposed by other countries on American goods.

U.S. TRADE BALANCE ($, BILLION)



TOP 10 COUNTRIES WITH THE LARGEST TRADE SURPLUS RECORDED WITH THE U.S. IN 2024 ($, BILLION)



Source: U.S. Census Bureau, U.S. Bureau of Economic Analysis, U.S. International Trade in Goods and Services report. U.S.: United States

Why are tariffs being imposed? Firstly, the U.S. president believes that it would boost domestic manufacturing and support economic growth. Secondly, tariffs are aimed to stop flows of illegal immigration and drugs.

However, the flipside is that sellers would have to incur higher costs on the goods imported, which may eventually get passed on to the consumers, pushing inflation upwards.

The U.S.-India COMPACT – A new chapter added to the India-U.S. Partnership

ICICI PRUDENTIAL MUTUAL FUND

In February 2025, the Prime Minister of India and the U.S. President discussed deepening collaboration in various sectors including defence, energy, semiconductors, artificial intelligence (AI), quantum computing and biotechnology.

BILATERAL TRADE

The U.S. and India aim to expand their bilateral trade to $500 billion by 2030, which could boost export competitiveness.

DEFENCE

The U.S. plans to provide India with F-35 stealth fighter jets, strengthening defence cooperation.

NUCLEAR AGREEMENT

Commitment to fully implement the U.S.-India 123 Civil Nuclear Agreement, including plans to build the U.S. designed nuclear reactors in India.

FOREIGN TRADE

Collaborate for development of the India-Middle East-Europe Economic Corridor, which would connect India, Israel, Italy and the U.S. through roads, railways and undersea cables.

TECHNOLOGICAL COLLABORATION

Launch the Autonomous Systems Industry Alliance (ASIA) to enhance technological collaboration and scale industry partnerships in the Indo-Pacific region.

OIL & GAS

Important agreement on energy that would position the U.S. as a leading supplier of oil and gas to India.

PROMOTE EMERGING TECHNOLOGIES

Launch the U.S.-India TRUST (Transforming the Relationship Utilizing Strategic Technology) to promote the application of emerging technologies in areas like defense, artificial intelligence, semiconductors, quantum, biotechnology, energy and space.

PHARMACEUTICALS

Encourage public and private investments to expand Indian manufacturing capacity, including in the U.S., for active pharmaceutical ingredients used in critical medicines. These investments would diversify vital supply chains and decrease the risk of life-saving drug shortages in both countries.

INFORMATION TECHNOLOGY

Fortunately, there has been no concerning developments related to the H-1B visa that India's IT sector heavily replies on to send skilled workers to the U.S. The leaders are committed to streamline avenues for legal mobility of students and professionals.

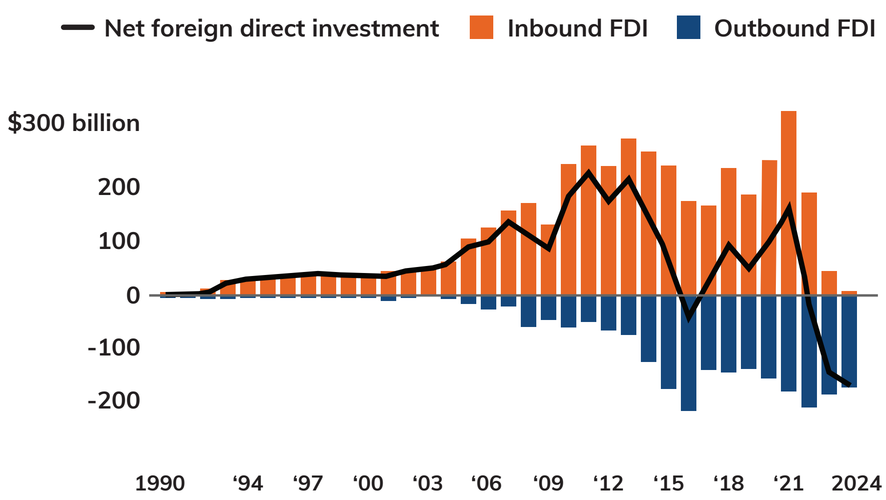
Source: Ministry of External Affairs. U.S.-India COMPACT: Catalyzing Opportunities for Military Partnership, Accelerated Commerce & Technology. U.S.: United States. IT: Information Technology. The sector(s) /stock(s) mentioned in this presentation do not constitute any recommendation of the same and ICICI Prudential Mutual Fund may or may not have any future position in these sector(s)/stock(s). The portfolio of the scheme is subject to changes within the provisions of the Scheme Information Document of the Scheme.

Net FDI into China dropped by $168 billion in 2024 – What worried foreign investors?

After hitting a high of $344 billion in 2021, net foreign direct investment (FDI) into China has plummeted in recent years as the economy combated prolonged property crisis, mounting local debt and weak domestic consumer demand.

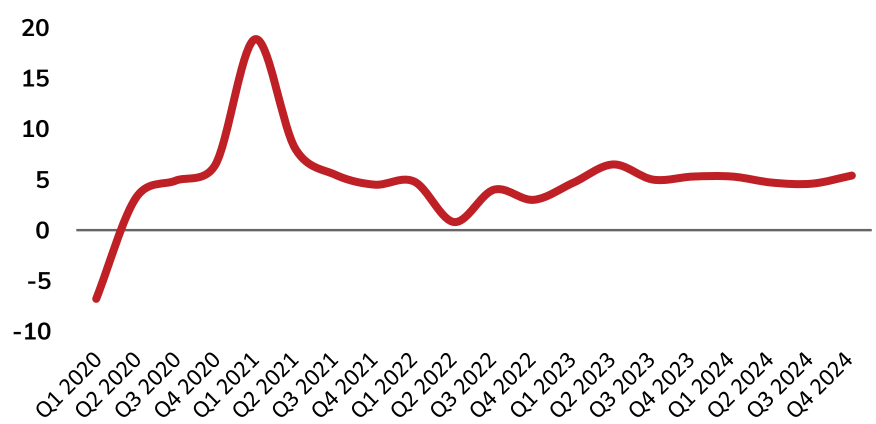
China ended 2024 on a better footing with a GDP growth of 5.4% in Q42024, supported by several measures introduced by the People's Bank of China to stimulate growth. **However, investor sentiment dampened as the U.S. President imposed 10% tariffs on Chinese goods.**

RECORD INVESTMENT OUTFLOWS FROM CHINA ($, BILLION)



Source: State Administration of Foreign Exchange (People's Bank of China). FDI: Foreign Direct Investment

CHINA'S GROSS DOMESTIC PRODUCT ANNUAL GROWTH RATE (%)



Source: National Bureau of Statistics of China. GDP: Gross Domestic Product

The potential of higher trade barriers, a strengthening U.S. dollar and sliding Chinese bond yields have weakened the yuan to around 7.28 levels in February 2025 against the dollar.

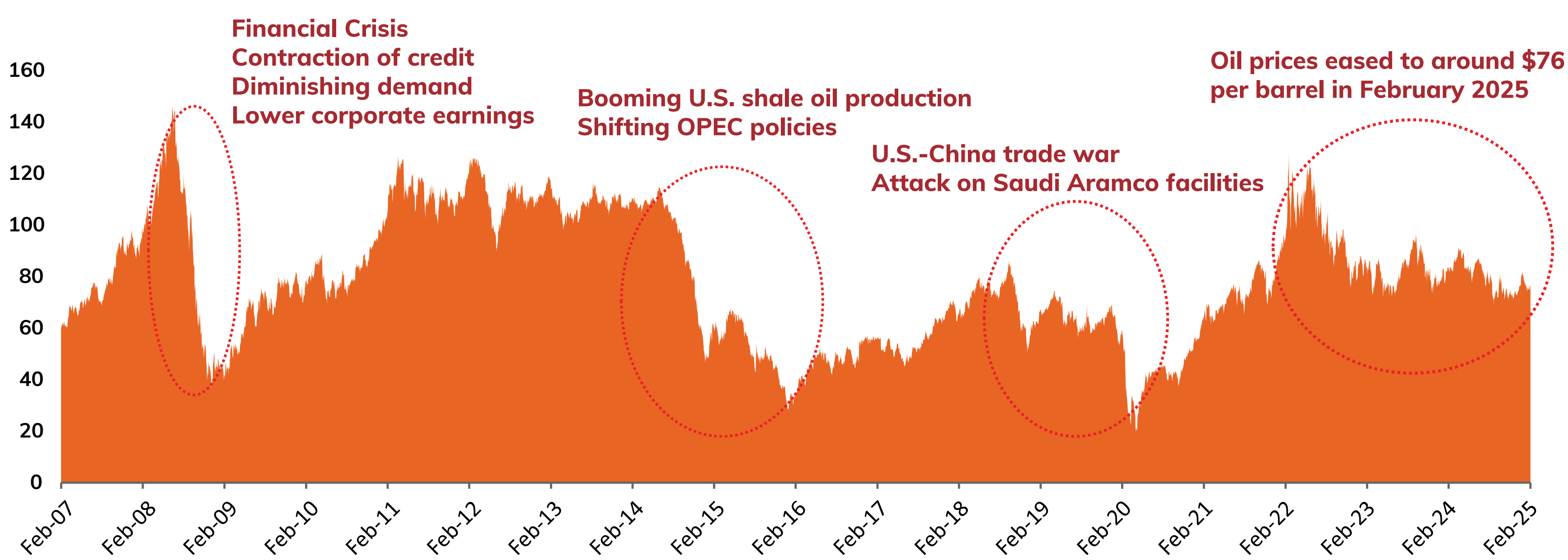
Conflicting forces surround the Oil Market – What will be the next move of the OPEC?

After climbing to $82/barrel earlier this year, Brent crude oil prices declined to an average of $76/barrel in February 2025. While oil prices eased, is a storm brewing ahead?

Tensions escalated during the month as the U.S. President restored the 'maximum pressure' campaign on Iran, that aims to cut off its crude oil exports and restrict Tehran from obtaining a nuclear weapon. Further, concerns loomed around potential tariffs imposed by the U.S. on Canadian crude oil imports, which could strain energy trade ties.

Posing risks to oil supply chains, geopolitical tensions flared as a Ukrainian drone attacked the Caspian Pipeline Consortium, which is a key pathway for Kazakhstan oil exports.

BRENT CRUDE OIL ($/BARREL)



Source: Reuters, OPEC: Organization of the Petroleum Exporting Countries. Data as on February 21, 2025.

Beyond the world of geopolitics, the oil market grapples with feeble demand from China. Market participants await the strategic decision of the OPEC as the cartel plans to gradually increase oil output from April 2025 to stabilize oil market conditions.

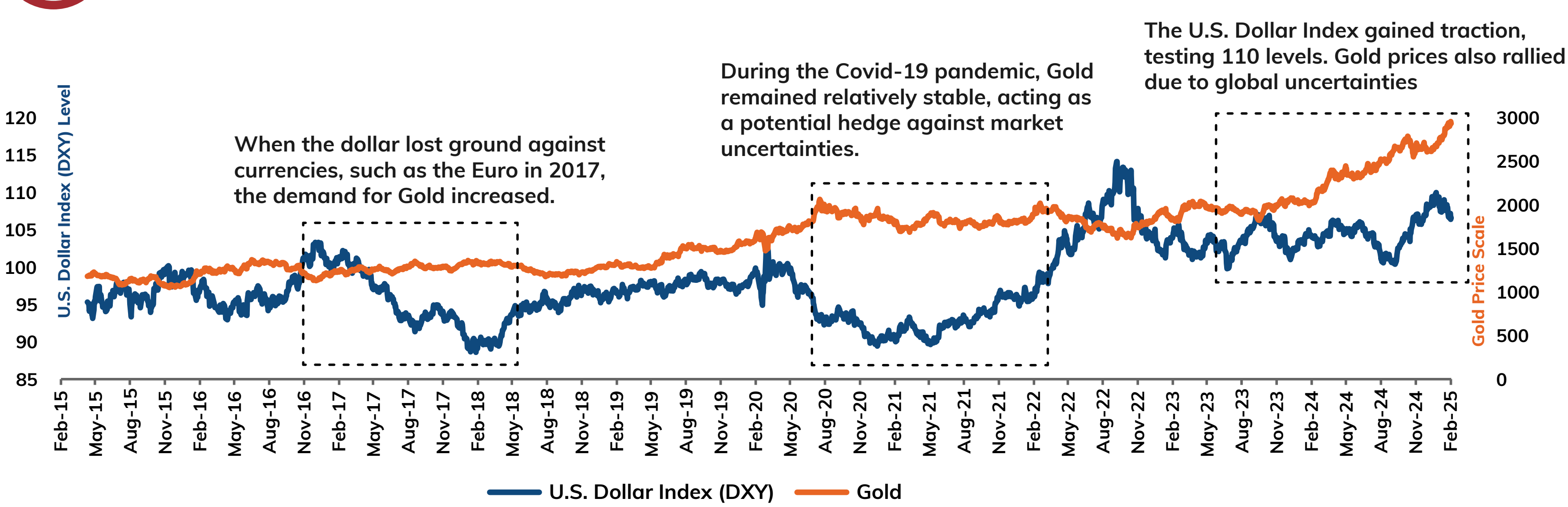
The story behind the sheen of Gold

The yellow metal dominated the headlines as prices tested a high of $2953.05/ounce on February 20, 2025, surging 13% since $2610.85/ounce observed on December 31, 2024.

Gold demand on a rise: Gold demand hit a high of 4,974 tons in 2024, driven by growth in investment demand and strong buying by central banks, amid geopolitical fragmentation.*

Downside risks of the tariff game: The U.S. Consumer Price Index (CPI) rose to 3% in January 2025, driven by higher food costs, energy prices and tariff proposals. Investors found solace in the relative stability of gold amid the fear of a trade war and its impact on the inflation trajectory.

GOLD PRICES (LBMA, $/OUNCE) AND U.S. DOLLAR INDEX LEVEL



Source: LBMA: London Bullion Market Association and Reuters. *World Gold Council. Data as on February 21, 2025. The gold price in India was around ₹86,092/10 gms on February 21, 2025.

Significance in Industries: Gold is increasingly being used as a component in the manufacture of artificial intelligence-enabled devices.

Reduction of Customs duty on Jewellery: As per the Union Budget 2025-26, the customs duty on articles of jewellery and parts has been reduced from 25% to 20%, providing a fillip to domestic jewellery demand.

The trajectory of Bond yields

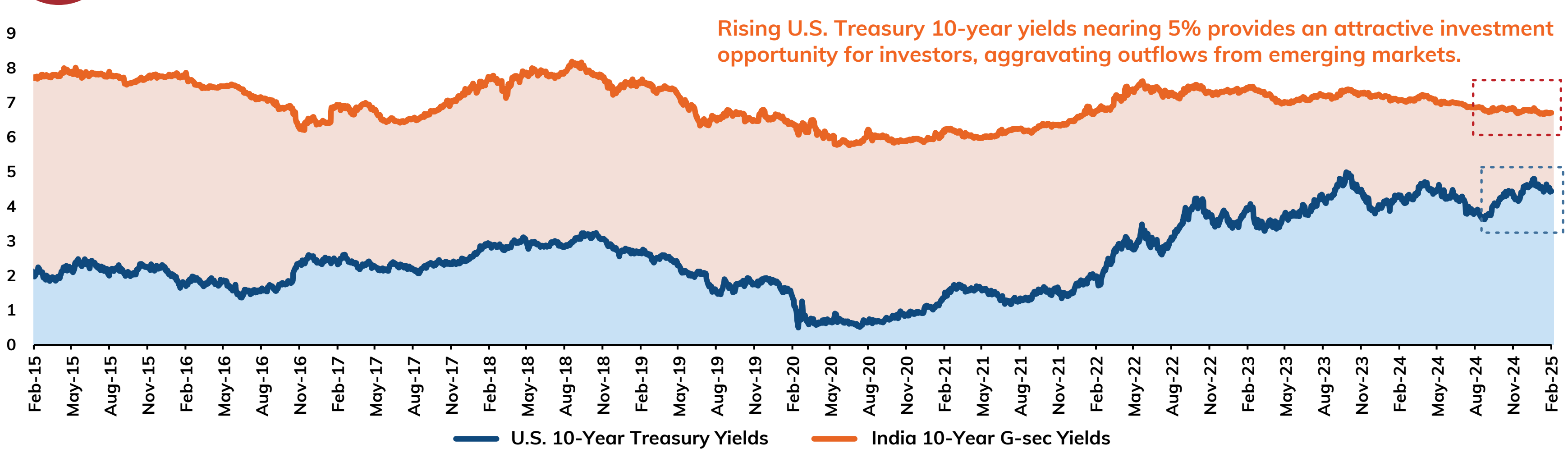
ICICI PRUDENTIAL MUTUAL FUND

The U.S. 10-Year Treasury yields rose to 4.43% on February 24, 2025 from 3.72% on September 20, 2024 on the back of strong economic developments, such as an increase in industrial production and a decline in the U.S. unemployment rate to 4% in January 2025.

On the domestic front, the Indian 10-Year G-Sec yields softened to around 6.70% on February 24, 2025 from 6.85% in January 2025:

- **Crude oil prices eased to $76/barrel in February 2025** from $82/barrel in January 2025 – a positive development for a country that imports a major portion of its oil requirements.
- **The RBI introduced open market operations, USD/INR buy/sell swap and a longer-term VRR auction to inject liquidity into the banking system. Further, the repo rate was reduced by 25 bps in February 2025** amid the consumer price inflation slowing down and growing concerns about India's economic growth losing momentum.
- **The Union Budget 2025-26 also announced tax-relief measures to boost consumption while maintaining the fiscal deficit at 4.4% for FY26,** indicating commitment to fiscal prudence.

10-YEAR GOVERNMENT BOND YIELDS (%)



Source: Reuters. Data as on February 24, 2025. G-sec: Government Securities

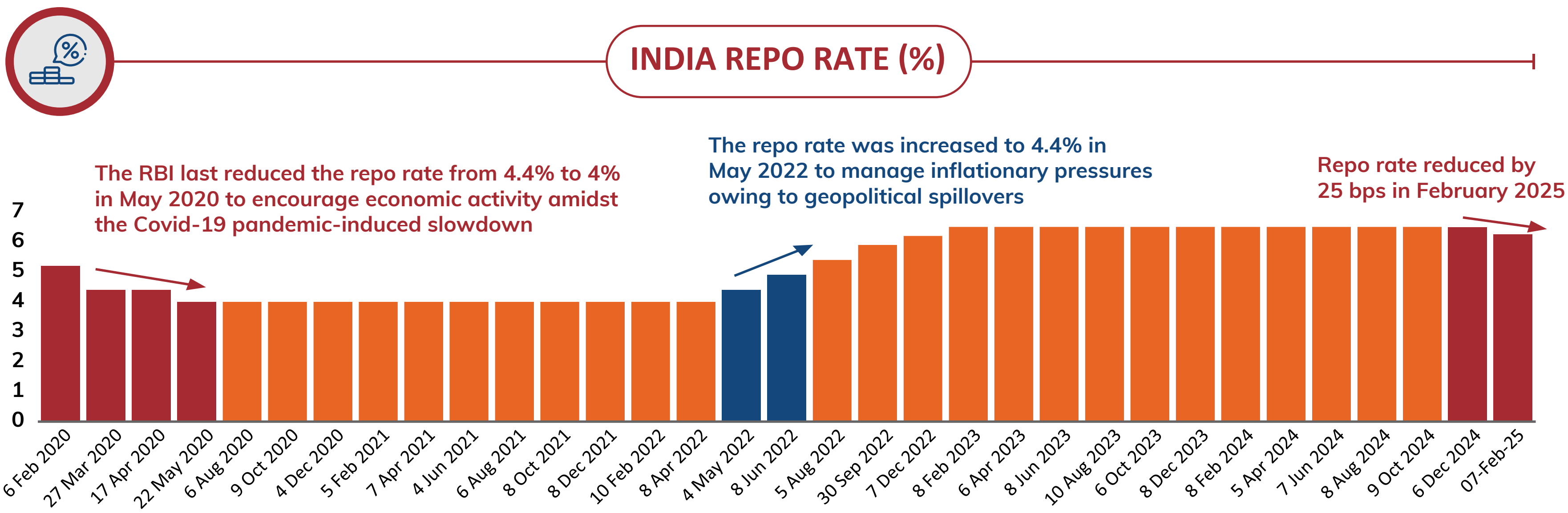
The RBI reduced the repo rate for the first time since May 2020

ICICI PRUDENTIAL MUTUAL FUND

The Reserve Bank of India (RBI) reduced the repo rate by 25 bps to 6.25% in February 2025 amid easing inflation, slowing credit growth and challenges induced by global uncertainties. However, the policy stance has been maintained at ‘neutral’, providing the central bank the flexibility to adjust the policy rate based on evolving economic conditions.

How will a lower repo rate facilitate greater flow of credit?

- **A lower interest rate reduces the cost of borrowing for banks,** which in turn lowers the interest rate on most bank loans linked to the External Benchmark-linked Lending Rate (EBLR).
- Banks' personal loan growth slowed to 14.9% in December 2024 from 17.6% recorded a year ago. **Easing interest rates would encourage individuals to avail more loans for purchasing a home, vehicle, consumer durables, etc.**
- **Further, businesses would borrow to scale operations,** which would help boost production and economic activity.



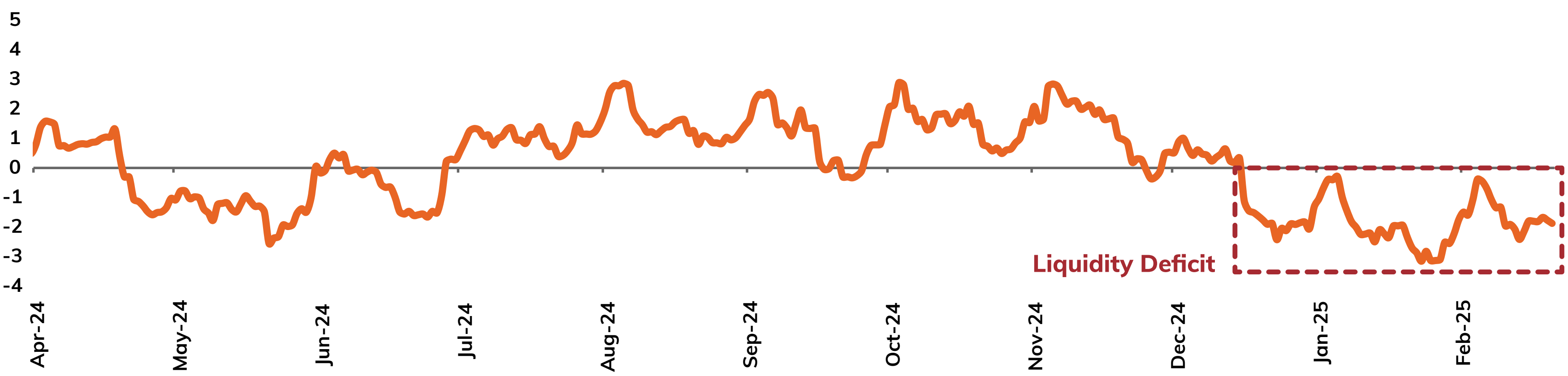
Source: Reuters. RBI: Reserve Bank of India. bps: basis point. GDP: Gross Domestic Product

RBI projected real GDP growth for 2025-26 at 6.7%. With the anticipation of a normal monsoon next year, the Consumer Price Index (CPI) inflation for 2025-26 is projected at 4.2%.

How did the RBI manage liquidity in the banking system?

The Reserve Bank of India (RBI) is stuck in a limbo – **System liquidity turned into deficit since mid-December 2024** due to capital outflows, monthly GST payments and quarter-end advance tax outflows. Adding to the pressure, the Indian rupee has been weakening against the dollar, reaching new lows of around 87.58 against the dollar.

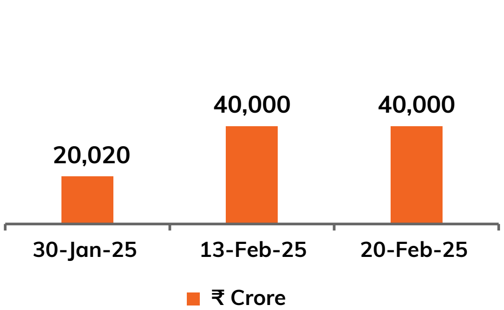
BANKING SYSTEM LIQUIDITY (₹, LAKH CRORE)



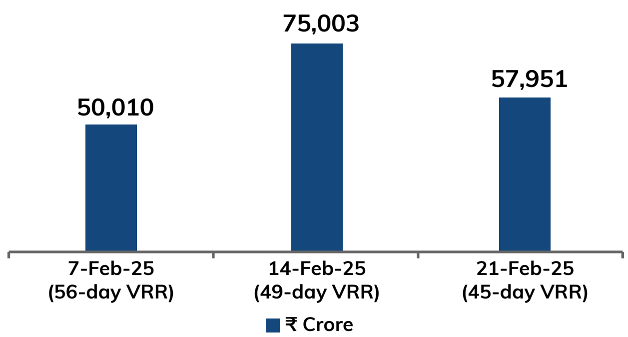
Source: RBI, CEIC. Data as of February 20, 2025. RBI: Reserve Bank of India. GST: Goods and Services Tax

THE RBI IMPLEMENTED MEASURES TO SUPPORT LIQUIDITY

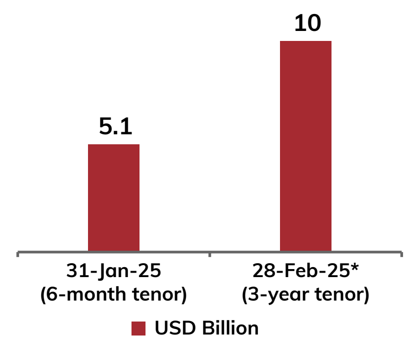
OMO Purchases



Long-Term VRR Auctions



USD/INR Buy/Sell Swap



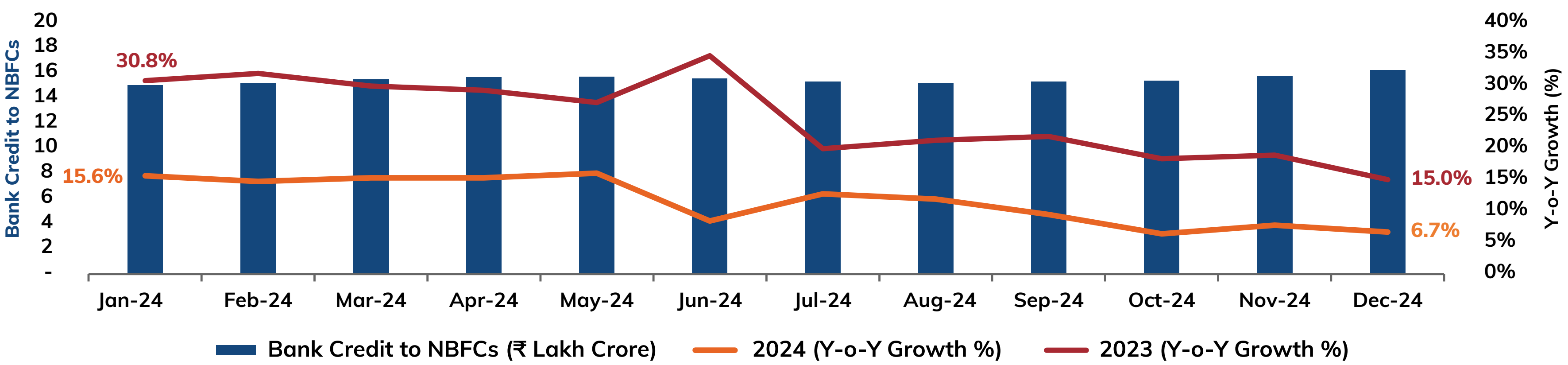
Source: RBI, CareEdge. Data as on February 21, 2025. *Auction held on February 28, 2025. Dates represent auction dates, and the amounts represent the amounts accepted in the auctions, except for USD/INR buy/sell swap on February 28, 2025, where the amount refers to the notified amount.

The RBI eased risk-weight norms for bank lending to NBFCs

ICICI PRUDENTIAL MUTUAL FUND

Going back in time, the RBI increased risk weights on bank loans to Non-Banking Financial Companies from 100% to 125% in November 2023. However, as credit conditions tightened, bank lending to NBFCs slowed to 6.7% in December 2024 from the 15% growth recorded a year ago.

BANK LENDING TO NBFCs SLOWING DOWN (₹, LAKH CRORE)



Source: Reserve Bank of India (RBI), MSME: Micro, Small & Medium Enterprises, NBFC: Non-Banking Financial Company.

After evaluating the impact on liquidity, the central bank has reduced the risk weights on bank loans from 125% to 100% in February 2025, thus reversing the November 2023 decision. The RBI has also reduced risk weights on microfinance loans from 125% to 75% for those qualifying under regulatory retail. The revised norms will come into effect from April 01, 2025.

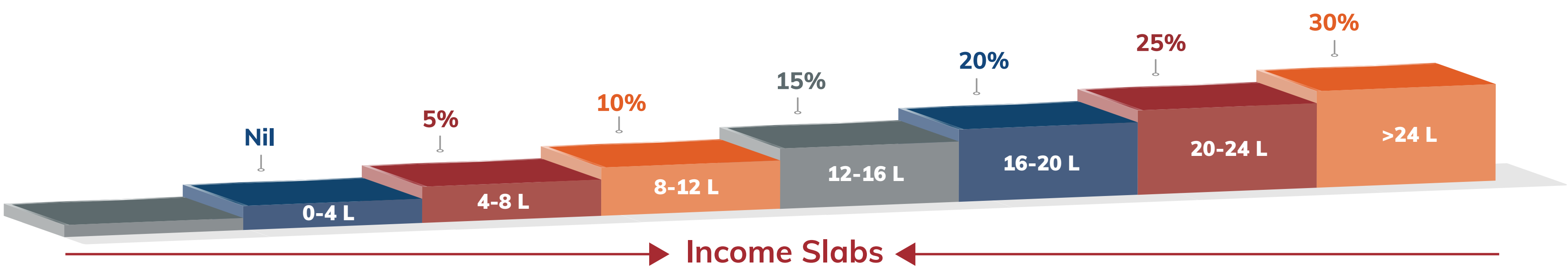
- **A lower risk weight on loans indicates that banks would need to keep aside lesser capital** against the loans given to NBFCs. **Reduced capital requirements would encourage banks to lend more,** enhancing the credit availability.
- **Greater liquidity enables NBFCs to lend more to borrowers, thus supporting consumer spending.**
- **A steady credit flow would contribute to the overall economic activity and augment growth.**

Red carpet rolled out for taxpayers – Higher disposable income in sight

One of the reasons for sluggish consumer spending is that wage growth has not kept pace with the rising inflation.

As per the Union Budget 2025-26, there will be no income tax payable up to the income of ₹12 lakh under the new regime* – the government reinstalled faith in the middle class by providing the much-needed tax relief, which would boost household consumption, savings and investment.

TAX STRUCTURE UNDER THE NEW REGIME



Source: Union Budget 2025-26 (www.indiabudget.gov.in). *Pertains to Income other than capital gains. L: Lakh. Investors should consult their tax advisor for further details on taxation and applicability based on their tax structure and regime.

More disposable income would translate into consumption: Consumption boost of around 30bps of the GDP, would benefit around 10 million people between ₹0.7-₹1.2 million income.^ Private consumption growth is estimated to improve to 7.3% in FY25, higher than 4% in FY24, driven by an uptick in consumer spending, strong rural demand and moderation in food prices.

Higher demand for consumer durables: Increased purchasing power will drive demand for staples and high-value goods, such as home appliances, televisions and automobile. As demand rises, manufacturers stand to benefit from higher sales, enabling them to venture into new markets.

Impetus to banking and investment services: While a portion of the income will be directed to consumption, the savings could be invested across various investment avenues, such as banks, equity markets, mutual funds, real estate, etc. which would in turn contribute to economic growth.

The sector(s) /stock(s) mentioned in this presentation do not constitute any recommendation of the same and ICICI Prudential Mutual Fund may or may not have any future position in these sector(s)/stock(s). The portfolio of the scheme is subject to changes within the provisions of the Scheme Information Document of the Scheme. ^Macquarie estimate, GDP: Gross Domestic Product. Bps: Basis point

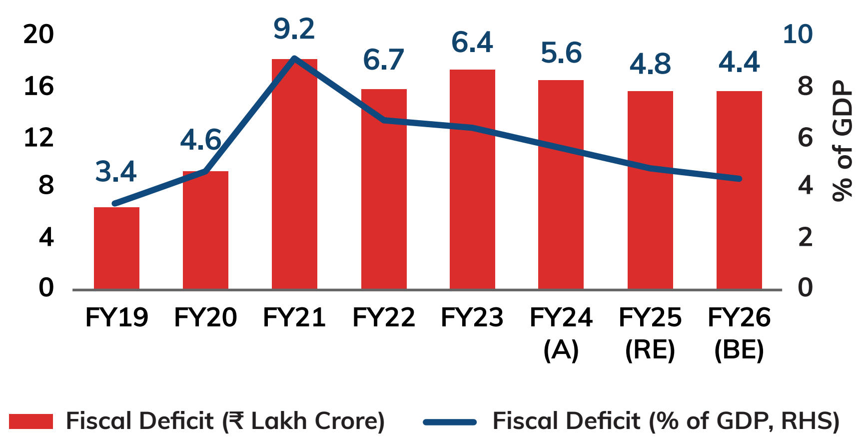
Striking the right chord – Supporting consumption growth without compromising on fiscal prudence

ICICI PRUDENTIAL MUTUAL FUND

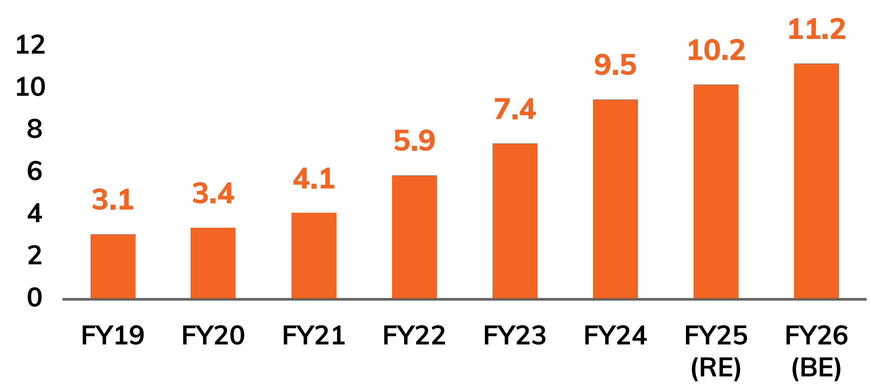
India's fiscal deficit narrowed from 9.2% of the Gross Domestic Product (GDP) in FY2021 to 4.8% of the GDP in FY2025, indicating that India has made significant progress on the fiscal consolidation roadmap.

Staying focused on strengthening the overall fiscal credibility, the government has estimated a fiscal deficit of 4.4% of the GDP in FY26, lower than the revised 4.8% for the current year. However, the gross market borrowings have been revised upwards to ₹14.82 lakh crore.

INDIA'S FISCAL DEFICIT TRAJECTORY



CAPITAL EXPENDITURE (₹, LAKH CRORE)



Source: Union Budget Documents. A: Actuals, RE: Revised Estimate, BE: Budget Estimate

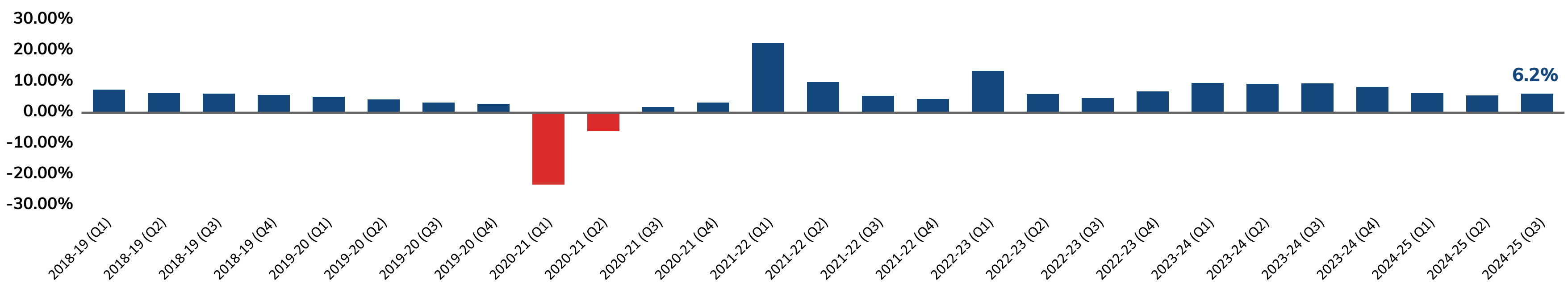
Going forward, the government plans to shift to debt-to-GDP as the key benchmark for the fiscal policy starting from 2026-27 with the target to bring down debt to the 50% level by March 31, 2031, from the current level of 57.1%. A lower debt level is favourable for an economy as it bolsters the confidence of foreign investors in the country's fiscal sustainability, which could stimulate private investments.

India's GDP print shows spark – Which factors supported growth?

ICICI PRUDENTIAL MUTUAL FUND

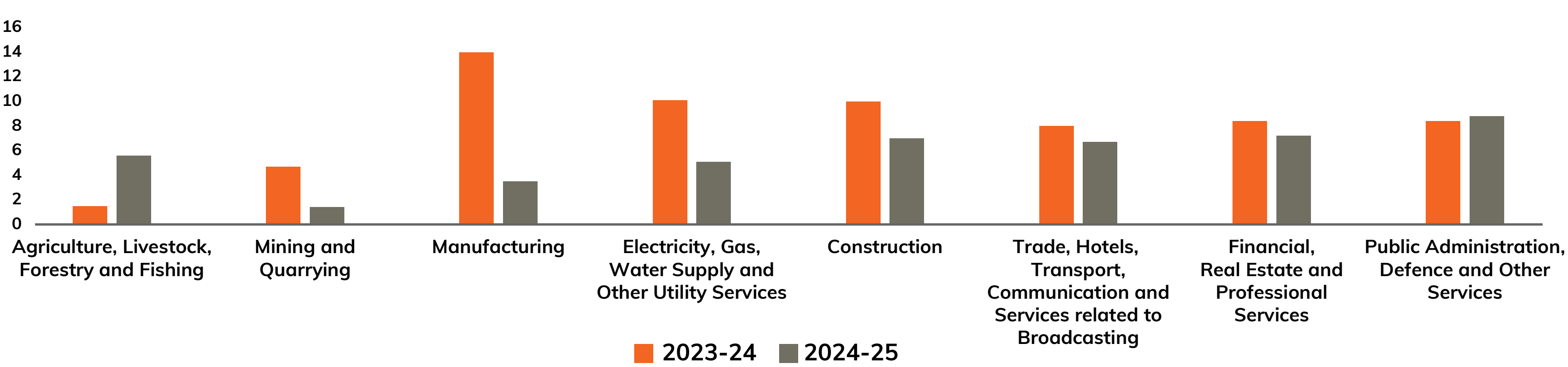
The Indian economy expanded by 6.2% in the third quarter of FY25, up from the 5.6% growth recorded in the previous quarter. India's GDP growth was supported by an increase in government spending, a stronger rural economy and an uptick in consumption amid festive demand. Government and private consumption increased by 8.3% and 6.9% respectively.

REAL GDP GROWTH RATE OF INDIA (%)



An uptick in rural consumption supported by better crop yields, contributed to the agricultural output growth of 5.6% in Q3FY25 compared to 4.1% in the previous quarter. **While growth of the Agriculture and Tertiary sectors accelerated in Q3FY25, lukewarm growth in the manufacturing sector dragged the overall GDP growth.**

SECTOR-WISE GROWTH RATES (%) OF REAL GVA IN Q3 OF FY24 AND FY25



Source: Ministry of Statistics and Programme Implementation, Q1: Quarter 1, Q2: Quarter 2, Q3: Quarter 3, Q4: Quarter 4. GDP: Gross Domestic Product. GVA: Gross Value Added

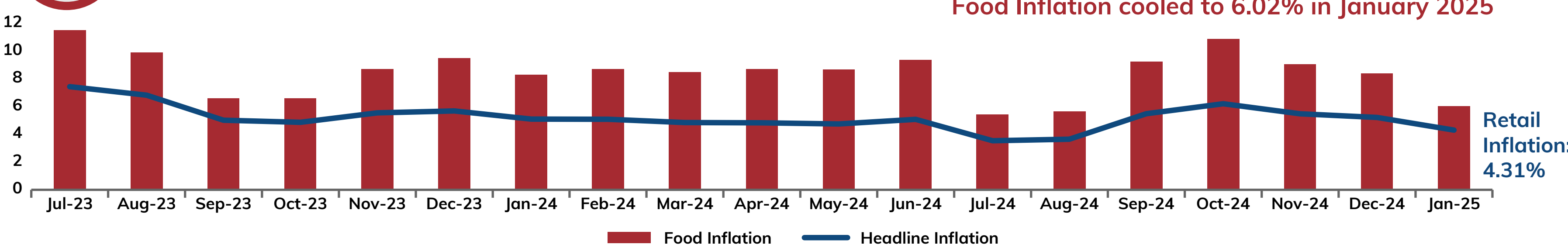
India's softening retail inflation brings solace amid flaring global uncertainties

ICICI PRUDENTIAL MUTUAL FUND

India's retail inflation, based on the Consumer Price Index (CPI), eased to a five-month low of 4.31% in January 2025, down from 5.22% in December 2024, as food prices moderated.

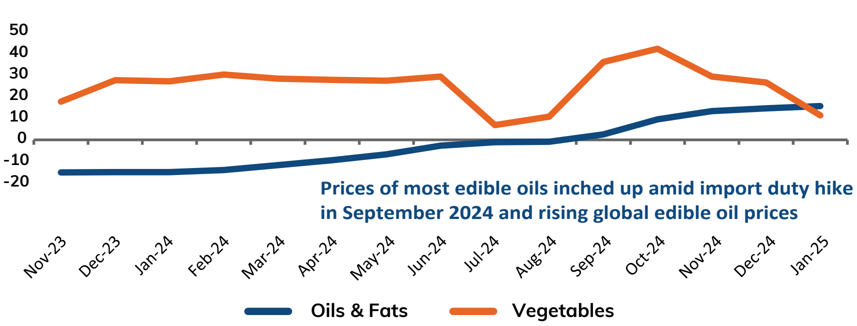
Food Inflation eased to 6.02% in January 2025 from 8.39% in December 2024. Healthy reservoir levels, good soil conditions, a pick-up in the pace of rabi production and continued government initiatives for food supply management, contributed to the moderation in food prices.

INFLATION (%)



Vegetable inflation eased to 11.35% year-on-year in January 2025 from 26.56% in December 2024, supported by a steep correction in prices of key food items, such as tomato and potato. **While prices of vegetables, pulses, cereals and meat slowed compared to the previous month, that of milk, oils and fruits accelerated.**

VEGETABLE AND OILS & FATS INFLATION (%)



Group	Weightage	Jan-25 (Y-o-Y)	Dec-2024 (Y-o-Y)
Food and beverages	45.86%	5.7%	7.7%
Pan, tobacco and intoxicants	2.38%	2.3%	2.5%
Clothing and footwear	6.53%	2.7%	2.7%
Housing	10.07%	2.8%	2.7%
Fuel and light	6.84%	-1.4%	-1.4%
Miscellaneous	28.32%	4.4%	4.2%

Source: Centre for Monitoring Indian Economy (CMIE), Ministry of Statistics and Programme Implementation (MOSPI). Data as on January 2025.
Y-o-Y: Year-on-Year

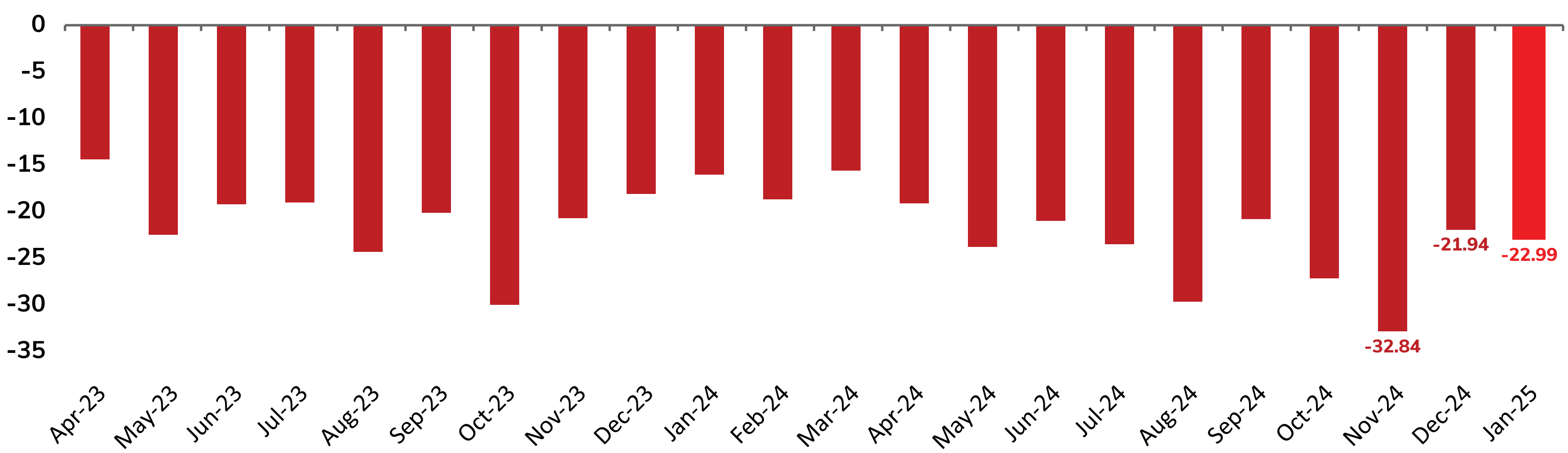
India's trade deficit widens, owing to rising imports

Merchandise exports declined to $36.43 billion in January 2025 from $38.01 billion in December 2024. Meanwhile, merchandise imports increased steadily to $59.42 billion in January 2025 with a rise in inbound shipments of goods including gold, non-ferrous metals, electric goods, iron and steel and chemicals.

Which factors impacted the trade bill? Firstly, India's foreign trade has been impacted by mounting geopolitical tensions, sluggish demand in key markets and the erratic behavior of commodity prices. Secondly, a dwindling rupee and rising global fuel costs have increased expenses for a country that imports over 80% of its oil requirements.

As a result, India's merchandise trade deficit rose to $22.99 billion in January 2025 from $21.94 billion in December 2024.

INDIA'S MERCHANDISE TRADE BALANCE ($, BILLION)



Source: Ministry of Commerce and Industry

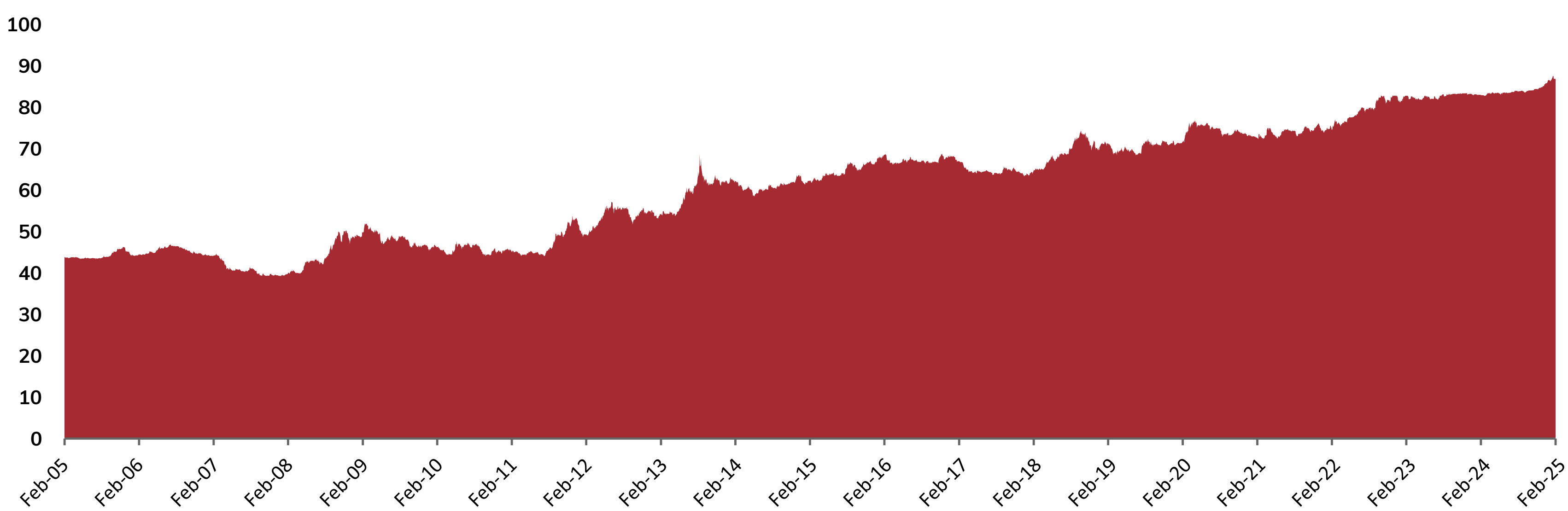
Recognizing Exports to be a powerful engine of India's growth story, the government has proposed to set-up 'BharatTradeNet' (BTN) – a unified platform to streamline trade documentation and financing solutions, aiding domestic manufacturing capacities to integrate with supply chains (Source: Union Budget 2025-26, MSMEs: Micro, Small and Medium Enterprises).

Pain continues: The Indian Rupee races to new lows against the U.S. Dollar

The rupee weakened to a low of around 87.58 against the U.S. dollar in February 2025: A strong U.S. economy, higher U.S. treasury bond yields and demand for dollars from foreign investors has exerted pressure on the rupee. Further, emerging market currencies are reeling under the pressure of uncertainties around global trade as the U.S. imposed tariffs on key industrial metals. Concerns compounded as geopolitical tensions flared in the Middle East, posing greater risks to global oil supply chains.

If the value of the rupee continues to dwindle, imports will become more expensive, which could result in widening of the current account deficit.

USD/INR



Source: Reuters, Data as on February 20, 2025.

From a high of $704.885 billion in September 2024, India's foreign exchange reserves dropped $640.479 billion on February 21, 2025. (Source: Reserve Bank of India). A healthy level of foreign exchange reserves is vital for an economy as it acts as a buffer against global financial turbulence, which could be directed to defend the rupee in times of heightened volatility.

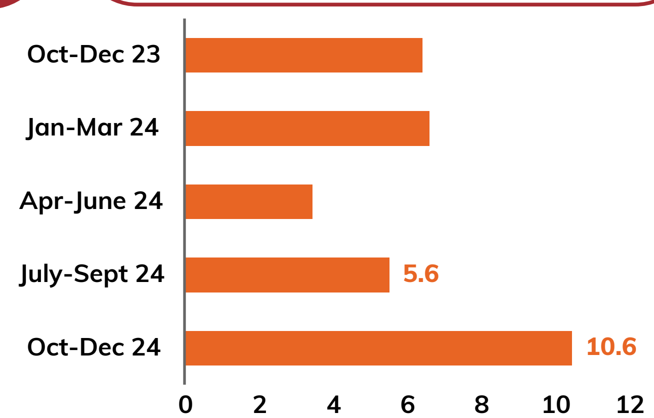
Rural markets drive FMCG growth, outpacing urban markets for the fourth consecutive quarter

ICICI PRUDENTIAL MUTUAL FUND

India's FMCG industry clocked a 10.6% growth in value terms during the December 2024 quarter – its highest print recorded in the year, driven by strong rural demand and festive season consumption.

Rural markets continue to surpass urban consumption with a volume growth of 9.9% in the December 2024 quarter, up from 5.7% recorded in the September 2024 quarter. A rise in rural demand can be attributed to government employment schemes and agricultural support measures.

FMCG SECTOR GROWTH - VALUE TERMS (%)



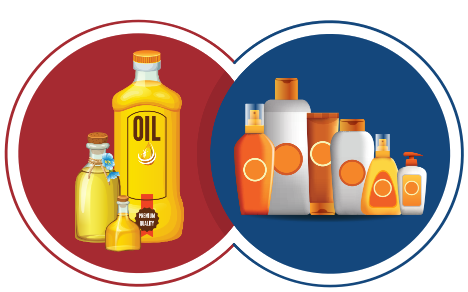
Rural Sales Volume Growth (%)

Urban Sales Volume Growth (%)

Urban spending slowed in the past few quarters due to high food inflation and tepid real wage growth.

Small manufacturers continued to grow faster than larger players during the December 2024 quarter, led by volume growth in categories, such as food and home and personal care categories.

Food consumption growth rose to 7% in the December 2024 quarter, driven by increased volume in staple categories such as Edible Oils, Palm Oil and Packaged Atta.



The Home and personal care category consumption growth stood at 7.3% in the December 2024 quarter, supported by higher consumer demand in both urban and rural areas.

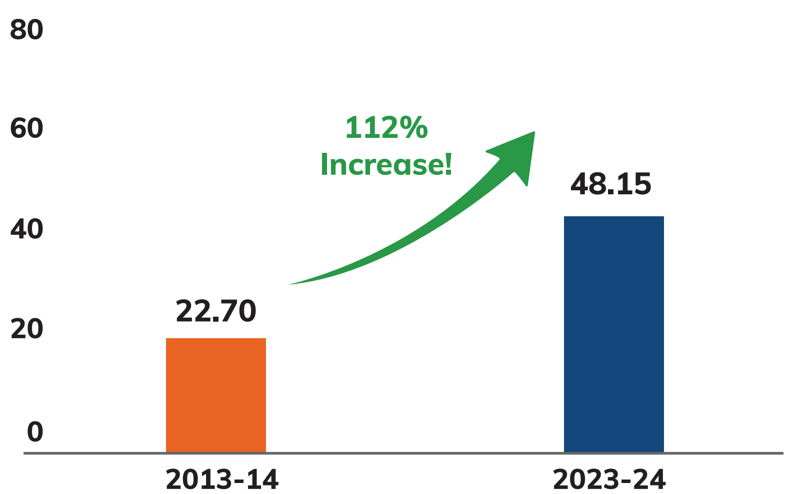
Source: NielsenIQ, FMCG: Fast Moving Consumer Goods. The sector(s)/stock(s) mentioned in this presentation do not constitute any recommendation of the same and ICICI Prudential Mutual Fund may or may not have any future position in these sector(s)/stock(s). The portfolio of the scheme is subject to changes within the provisions of the Scheme Information Document of the Scheme.

Agriculture: A key pillar for India's growth story

In the Union Budget 2025-26, the government announced several measures for improving crop productivity and facilitating credit access for farmers:

- **Initiated the 'Prime Minister Dhan-Dhaanya Krishi Yojana' across 100 low crop productivity districts** with an aim to improve irrigation facilities, adopt crop diversification, increase productivity, strengthen post-harvest storage and facilitate credit.
- **Launched the 'Rural Prosperity and Resilience' programme** to support rural growth by generating employment opportunities, facilitating investment and technology adoption.
- **The loan limit under the Modified Interest Subvention Scheme for Kisan Credit Cards (KCC) has been increased significantly from ₹3 lakh to ₹5 lakh** to strengthen agricultural finance and boost crop productivity.
- **Outlined the 6-year 'Mission for Aatmanirbharta in Pulses'** with focus on Tur, Urad and Masoor, which would boost the domestic production of these pulses and reduce dependence on imports.

INDIA'S AGRICULTURAL EXPORTS GROWTH (USD BILLION)



India's agricultural sector has demonstrated resilience in recent years, supported by government initiatives to enhance productivity and increase farmers' income.

Source: Ministry of Commerce & Industry. USD: United States Dollar

Will India's nuclear power capacity rise to 22,480 MW by 2031-32?

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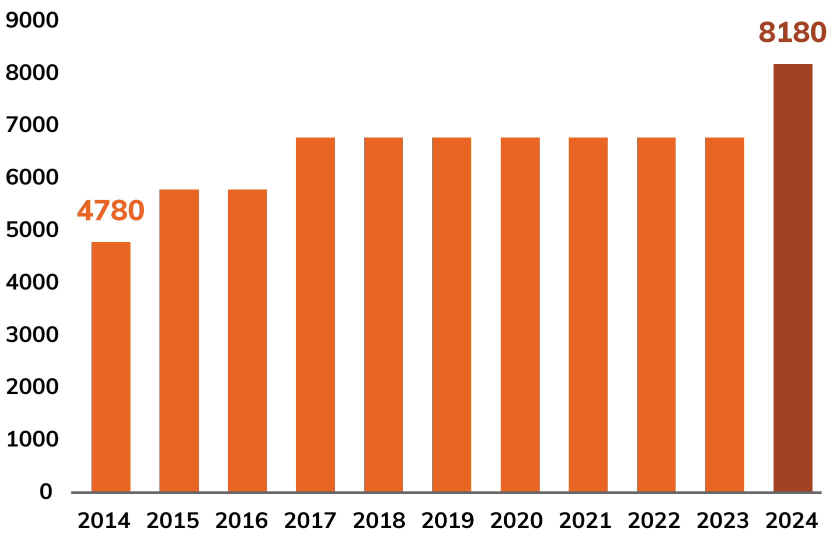
India is actively enhancing its nuclear power capacity to meet increasing energy demands and achieve its environmental goals. **India's nuclear sector has grown significantly over the last ten years from 4,780 MW in 2014 to 8,180 MW in 2024.**

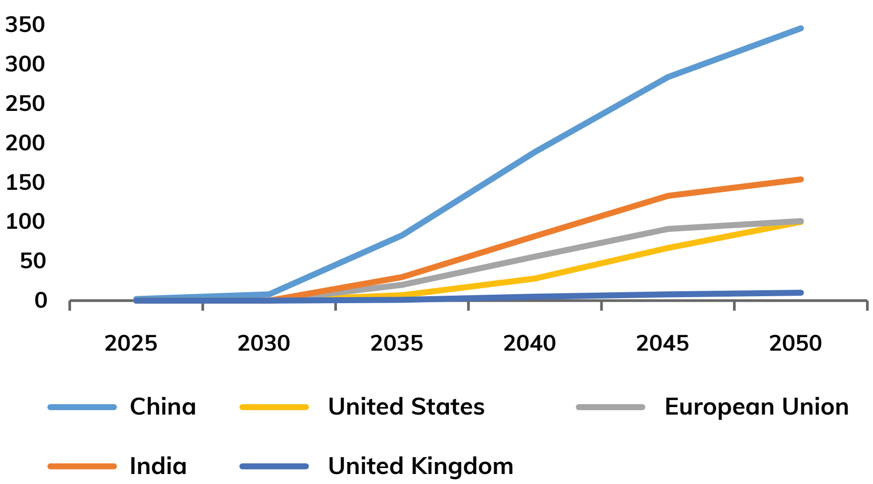
A key highlight of the Union Budget 2025-26 is the proposal to launch a Nuclear Energy Mission, which would focus on the research and development of Small Modular Reactors (SMRs). The government has allocated ₹20,000 crore for this initiative with an aim to develop at least five operational SMRs by 2033.

INDIA'S INSTALLED NUCLEAR CAPACITY (MW)



Source: National Power Portal. MW: Megawatt

ESTIMATED SMALL MODULAR REACTOR GLOBAL INSTALLED CAPACITY, 2025-2050 (GW)



Source: International Energy Agency, GW: Gigawatt

Given India's goal to reach net zero emissions by 2070, Small Modular Reactors play a crucial role in complementing renewable energy sources. **The government is committed to increase the nuclear power capacity from the current 8,180 MW to 22,480 MW by 2031-32 (Source: Union Budget 2025-26).**

India's private sector growth accelerated to a six-month high

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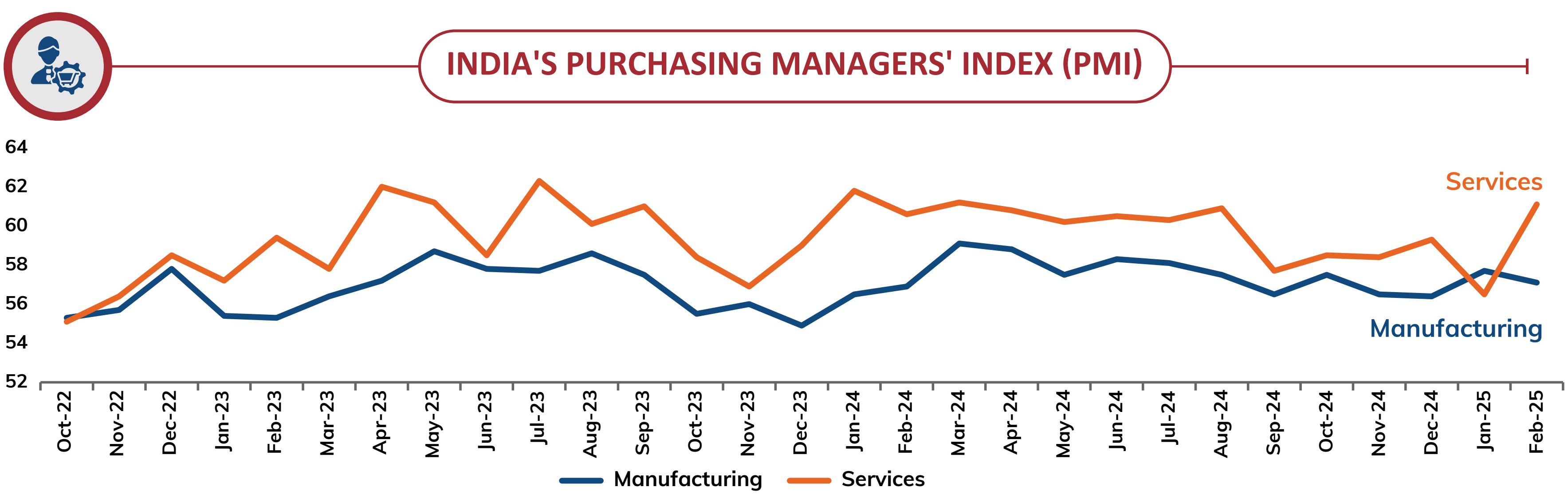
The Services sector steals the show: The HSBC Flash India Services PMI Business Activity Index climbed to 61.1 in February 2025 from a print of 56.5 in January 2025, driving the upward trajectory of the overall private sector output.

Boost to the Manufacturing sector: As announced in the Union Budget 2025-26, the Government will set up a National Manufacturing Mission covering small, medium and large industries to support the 'Make in India' initiative. Though the HSBC Flash India Manufacturing PMI moderated to 57.1 in February 2025 from 57.7 in January 2025, the manufacturing sector still reflects robust expansion.



Which factors contributed to the growth of the sectors?

- Companies operating across India's private sector economy continued to witness **improved international demand for their goods and services.**
- At the composite level, **the overall rate of job creation reached a new series peak.**
- **A healthy acceleration in new export orders, business intakes and factory output** bolstered the overall business sentiment. However, elevated input prices indicated an increase in overall business expenses.

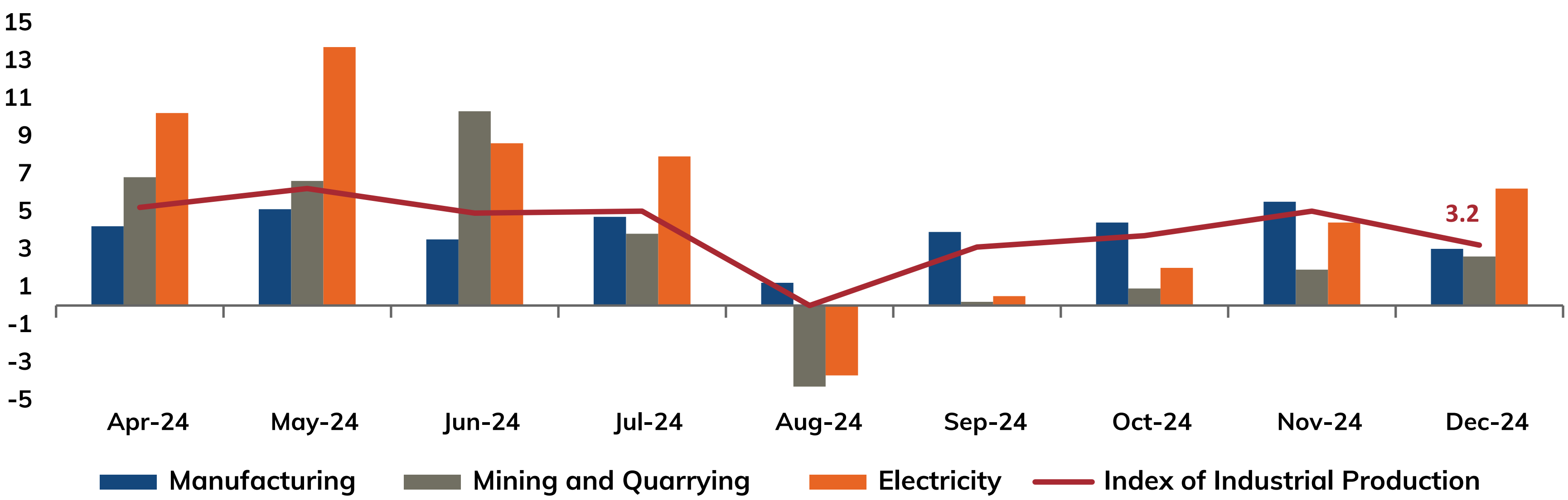
The HSBC Flash India PMI® is compiled by S&P Global from responses to questionnaires sent to survey panels of around 400 manufacturers and 400 service providers. The panels are each stratified by detailed sector and company workforce size, based on contributions to GDP.
GDP: Gross Domestic Product.

A glimpse at India's Industrial Production (IIP)

After hitting a four-month high of 5% in November 2024, India's industrial output growth moderated to 3.2% in December 2024.

Dragging the overall industrial production down, the Manufacturing output slowed to 3% in December 2024 compared to 5.5% in November 2024, partly because of an unfavourable base. **On the other hand, the mining output accelerated to 2.6% in December 2024 compared to 1.9% in November 2024 and electricity output rose to 6.2% in December 2024 compared to 4.4% in the preceding month.**

INDEX OF INDUSTRIAL PRODUCTION - MANUFACTURING, MINING AND QUARRYING, ELECTRICITY (YEAR-ON-YEAR %)



Source: Ministry of Statistics and Programme Implementation (MOSPI), CareEdge Ratings.

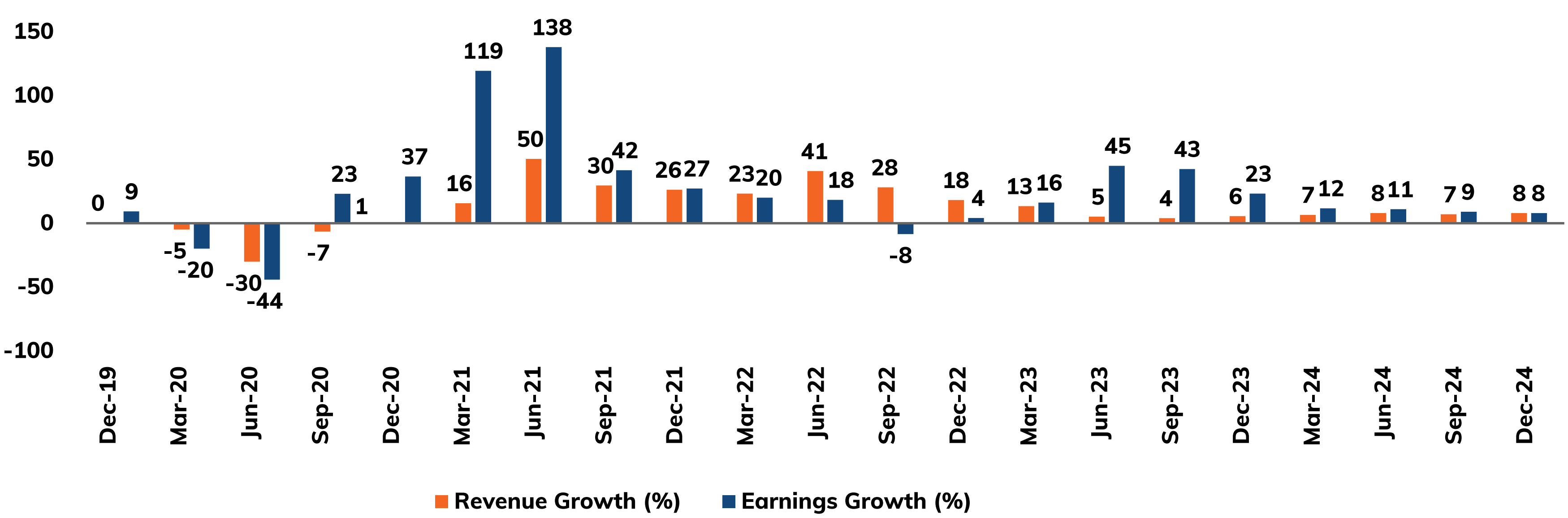
Within the use-based classification, Infrastructure and construction goods output slowed to 6.3% in December 2024. Going ahead, the government's thrust on capital expenditure augurs well for the performance of infrastructure-related segments. **On the consumption front, consumer durables output registered a growth of 8.3%.** Easing income tax burden as announced in the Union Budget 2025-26 and a lower borrowing cost paves the way for higher domestic demand.

The wobbling corporate earnings trajectory

The Q3FY2025 corporate earnings continued to moderate with a lackluster growth in revenues to the tune of 8%. While profits of the Telecom, Financials and Pharmaceutical sector continued to pick-up, weakness was witnessed in the Auto, Chemical and Oil & Gas space. With rising demand for cloud services, digital transformation and automation, the Information Technology sector displayed a healthy order book with margin efficiency. Banks had a challenging quarter as Net Interest Margins continue to remain under pressure.

Due to the initiatives of the government to support income levels of farmers, rural demand has remained resilient. Urban spending is expected to pick up on the back of stimulus measures introduced in the Union Budget 2025-26.

REVENUE & EARNINGS Y-o-Y GROWTH - BSE 500 (%)



Source: Nuvama Research. BSE: Bombay Stock Exchange. Y-o-Y: year-on-year. Data as on December 31, 2024. Past performance may or may not sustain in future.

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A glimpse at what becomes cheap and expensive as proposed in the Union Budget 2025-26

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COSTLIER

FLAT LED TVs
Basic Customs Duty on Interactive Flat Panel Display increased to 20% from 10%

IMPORTED KNITTED FABRICS
Duties increased from 10% or 20% to 20% or INR 115 per kg, whichever is higher

CHEAPER

CANCER DRUGS
36 Life-saving drugs will be exempt from basic Customs Duty

CRITICAL MINERALS
Cobalt power paste, scrap of lithium ion batteries, lead, zinc and 12 more minerals to be exempt from Basic Customs Duty

EVS AND MOBILE CHARGERS
35 additional goods for EV battery manufacturing and 28 additional goods for mobile phone battery manufacturing to be added to list of exempted capital goods

TELECOM EQUIPMENT
Basic Customs Duty reduced from 20% to 10% on Carrier Grade Ethernet switches

FISH & SHRIMP FEED FROZEN FISH PASTE
Basic Customs Duty on frozen fish paste will be reduced from 30% to 5%

WET BLUE LEATHER
Basic Customs Duty on wet blue leather to be exempt

ELECTRONICS
Basic Customs Duty on open cells and components for LCD and LED TVs reduced to 5%.

JEWELLERY
Basic Customs Duty reduced from 25% to 20% on articles of jewellery and part

SHIPBUILDING
Raw materials for manufacturing ships will be exempt from basic customs duty for next 10 years

POWER
Basic Customs Duty on electricity meters for alternating current (Smart Meters) has been reduced from 25% to 20%

METAL
Flat rolled products of stainless steel reduced from 22.5% to 15%

FURNITURE
Basic Customs Duty on Furniture, mattress and bedding reduced from 25% to 20%

LABORATORY CHEMICAL
Customs Duty reduced from 150% to 70%

TOYS
Custom duties on parts of electronic toys to be reduced to 20%

BUDGET ₹

Source: Union Budget 2025-26. EV: Electric Vehicle.

Other Key Developments

India's WPI Inflation moderates: After a significant dip in the headline retail inflation, India's Wholesale Price Index-based inflation eased to 2.31% (provisional data) in January 2025 from 2.37% in December 2024 due to a decline in food prices, especially vegetables (Source: Ministry of Commerce & Industry).

The Real estate benefit: Houseowners received a significant boost from the Union Budget 2025-26 as they can now claim nil tax on two self-occupied properties, instead of one earlier (Source: Union Budget 2025-26). This move would play a key role in driving housing demand and streamlining the process for taxpayers.

Algorithmic trading framework unveiled by SEBI: In February 2025, the Securities and Exchange Board of India (SEBI) paved the path for participation of retail investors in algorithmic trading with requisite safeguards, which would be implemented in August 2025. SEBI has introduced a structured regulatory framework defining the responsibilities of the investors, brokers, algo providers/vendors and Market Infrastructure Institutions (MIIs). This move would enhance market liquidity and provide faster order execution, encouraging retail participation.

Import Duty reduced on bourbon whiskey: Amidst the mounting concerns over evolving U.S. tariffs, India reduced the import duty on bourbon whiskey from 150% to 100% in February 2025 – a decision that will benefit the U.S. as the country is a the primary exporter of bourbon whiskey to India (Data Source: Reuters).

Update on India's petroleum demand: India's petroleum demand growth declined to 3.5% this fiscal year (April 2024-January 2025), down from 5.1% last year, primarily due to slower growth in diesel consumption and a decline in the sales of bitumen, that is used for building roads. However, diesel sales picked to 4.2% in January 2025 due to increased manufacturing and freight movement coupled with demand during the holiday season. (Source: CLSA Report).

Other Key Developments

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Measures to Fuel MSME Expansion: The Union Budget 2025-26 introduced several measures to strengthen the Micro, Small, and Medium Enterprises (MSME). The investment and turnover limits for classification of all MSMEs would be enhanced to 2.5 and 2 times, respectively. This would help achieve higher efficiencies of scale, technological upgradation and better access to capital. Further, the credit guarantee cover for micro and small enterprises has been increased from ₹5 crore to ₹10 crore to enhance credit availability. In addition, the RBI has also proposed to remove foreclosure charges on floating-rate loans for retail and MSME borrowers (Source: Reserve Bank of India, Ministry of Finance).

Phillip to Foreign Direct Investment (FDI) in the insurance sector: The government proposed to raise the FDI limit for the insurance sector from 74% to 100%, applicable to companies that invest the entire premium in India. This initiative would attract more capital inflows and expertise in the insurance sector, enhancing market competitiveness. (Source: Ministry of Commerce & Industry).

India's finished steel import print climbs: India's finished steel imports rose to an all-time high in the April 2024-January 2025 period. India imported 8.3 million metric tons of finished steel during the April 2024-January 2025 period, up 20.3% from a year earlier. Leading domestic steelmakers may face the brunt of India depending heavily on cheap steel imports from countries like China.

India's core sector growth: India's core sector output stood at 4.6% in January 2025, slightly lower than 4.8% recorded in December 2024. The growth was supported by increased production in cement, refinery products, coal, steel, fertilizers and electricity. (Source: Ministry of Commerce and Industry).

GST Collection: India's gross goods and services tax collection rose by 9.1% to about ₹1.84 lakh crore in February 2025, indicating improving consumer sentiment (Source: Ministry of Finance).

And it is a wrap for the month

The Union Budget 2025-26 Budget is structured around four engines of India's growth narrative: Agriculture, MSMEs, Investment and Exports. The Budget focuses on capital expenditure, initiatives to propel consumption, a clear roadmap for fiscal consolidation and measures to accelerate growth. Better rabi sowing, higher reservoir levels and correction in vegetable prices, augur well for food inflation going forward.

While inflationary pressures have eased in India, Investors are now watchful of a cocktail of factors that could aggravate market turbulence, including a weakening rupee, relentless selling by foreign investors, the Q3FY25 corporate results season and the climax of trade policies implemented by the U.S.

PICTURE OF THE MONTH

The pictures used in this document are for illustration purpose

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