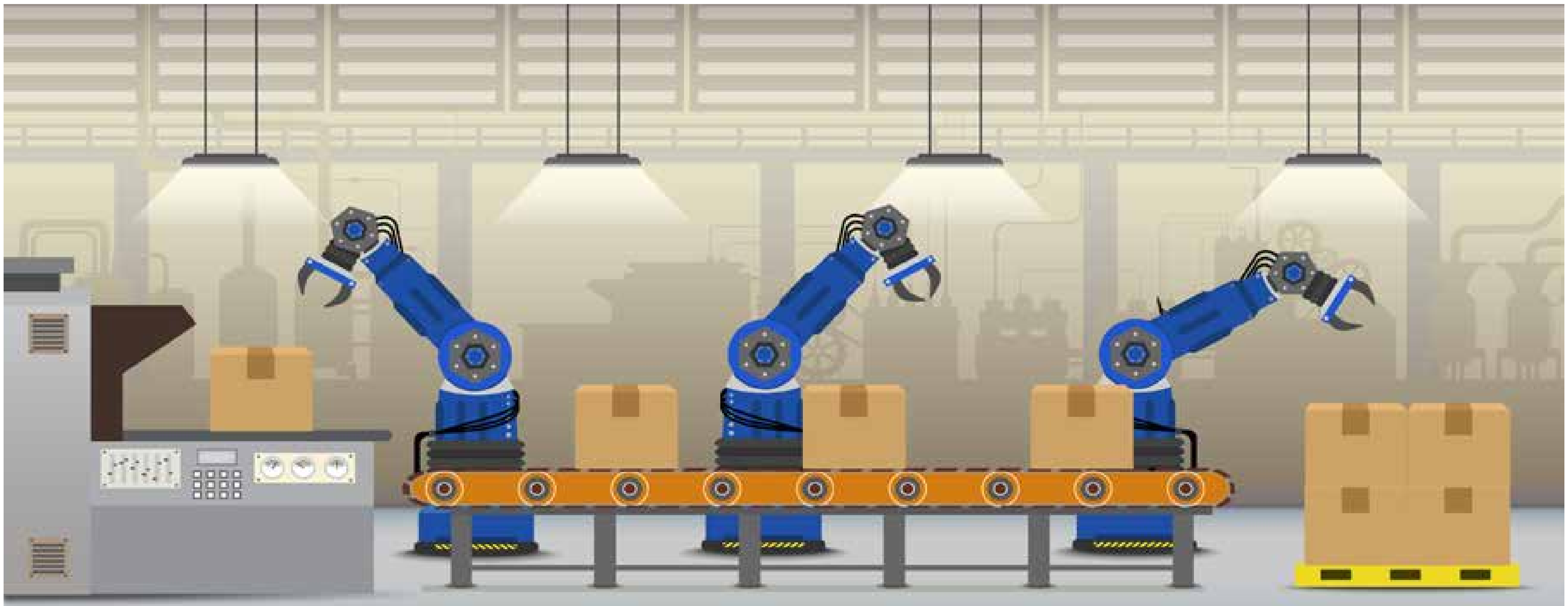
ICICI PRUDENTIAL MUTUAL FUND

THE MONTH GONE BY

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

After the World War II, Japan grappled with acute shortages of essential resources, such as food and energy, while the industrial sector struggled to regain its footing. **Amidst the adversity, the Japanese embarked on a journey of innovation, leading to the birth of 'Kaizen',** centered around continuous improvement – **'Kai' refers to 'Change' and 'Zen' means 'Good'.**

This philosophy encourages making steady, incremental changes that would enhance efficiency and quality. By embracing Kaizen, industries across the globe have discovered **pathways to streamline operations, improve product quality and gain a competitive edge.**



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Just as how Kaizen encourages consistent incremental improvement, investment through the Systematic Investment Plan (SIP) route embodies the essence of regular, disciplined incremental investment. This approach not only promotes financial discipline but also benefits from the power of compounding and rupee cost averaging, which could enhance the return potential over the long term.

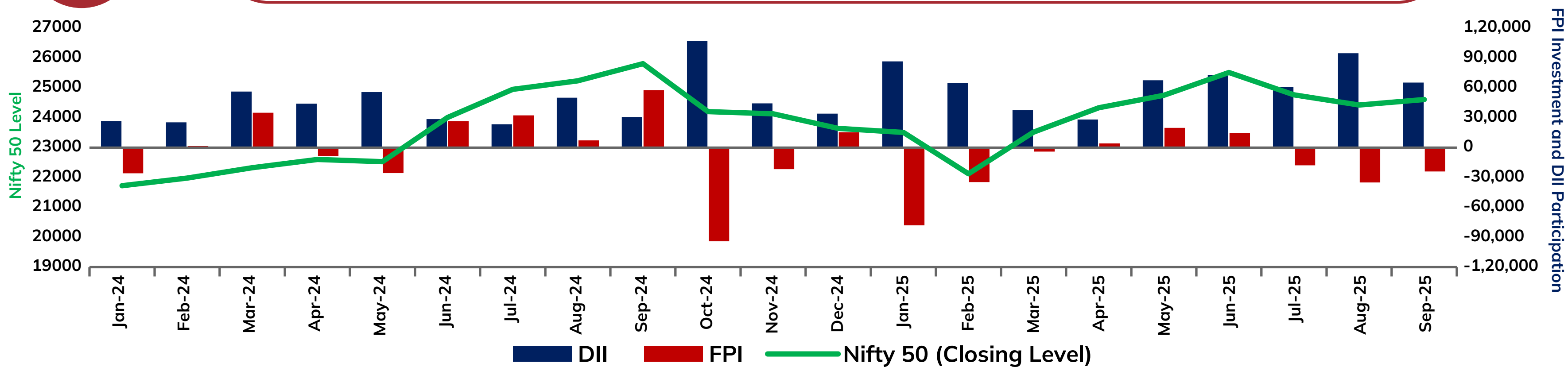
While we ponder about the course ahead, it is important to connect the dots with key market events of September 2025.

The tussle between the Equity market bulls and bears

Global economic uncertainties remain elevated in the wake of renewed concerns around the fiscal health of advanced economies, wavering U.S. trade policies and geopolitical risks.

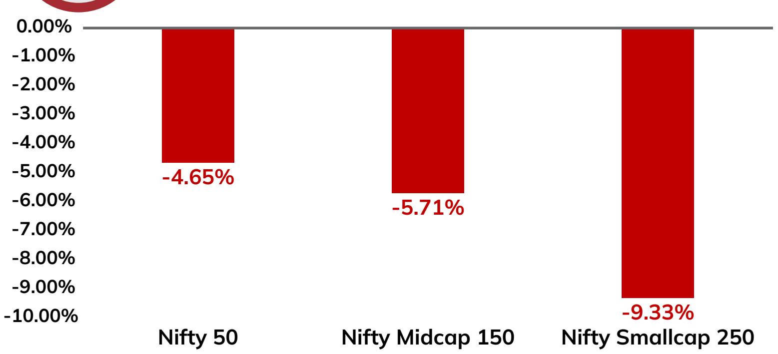
The Indian economy has exhibited resilience: India's real GDP growth picked up pace in the first quarter of FY2025-26, rising to 7.8% year-on-year. Aggregate demand conditions remain robust, characterized by strong rural demand and a low inflation environment. **The Goods and Services Tax (GST) reforms should boost tax buoyancy,** facilitate ease of doing business, lower retail prices and strengthen consumption growth drivers.

MONTHLY FPI NET INVESTMENTS IN INDIAN EQUITIES AND DII PARTICIPATION (₹, CRORE) AND NIFTY 50 CLOSING LEVEL



Source: National Securities Depository Limited (NSDL). September 2025 FPI and DII data is as on September 30, 2025. FPI: Foreign Portfolio Investment. DII: Domestic Institutional Investment. Past performance may or may not sustain in future. U.S.: United States. FY: Financial Year.

ABSOLUTE 1-YEAR RETURNS OF INDEX (%)



Amidst global economic uncertainties, the performance of the broader market index has been relatively weak compared to the previous year.

Source: National Stock Exchange (NSE). Index returns are computed from September 30, 2024 to September 30, 2025. Past performance may or may not sustain in future.

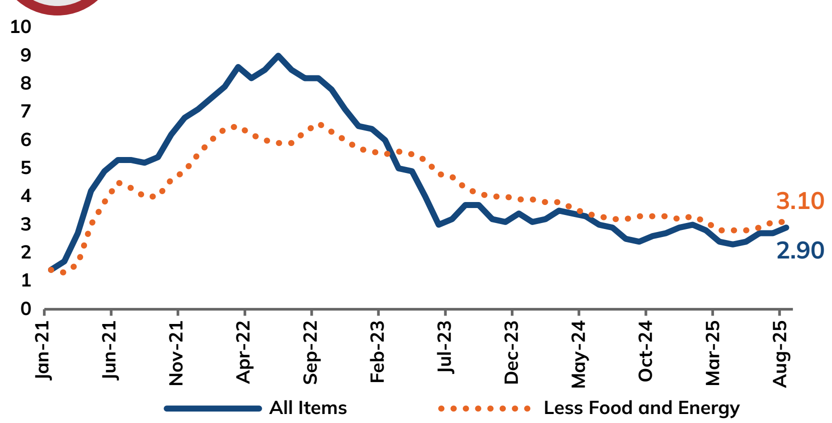
The U.S. Federal Reserve lowered the benchmark interest rate for the first time since December 2024

In September 2025, the U.S. Federal Reserve lowered its benchmark interest rate by 25 basis points to a range of 4.00%-4.25%, citing a weakening labour market. Lower interest rates could reduce borrowing costs for mortgages, car loans and business loans, which would boost hiring and economic growth.

Declining labour force growth: Labour force growth has slowed considerably during the year, owing to a tighter immigration policy. In August 2025, the U.S. economy added 22,000 jobs, which was below expectations, and the unemployment rate rose to 4.3%. Further, activity in the housing sector remains weak.

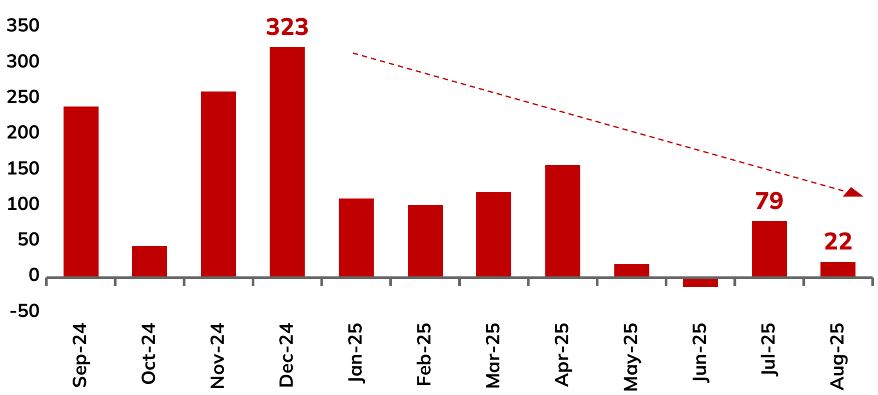
Inflation risks: Higher trade tariffs have started to drive the prices of certain categories of goods upwards. In August 2025, the U.S. Consumer Price Index rose 2.9% on an annual basis, which is still above the target of 2%.

U.S. CONSUMER PRICE INDEX (%)



Source: U.S. Bureau of Labor Statistics, Year-on-year % change. U.S.: United States. Data as on August 2025.

TOTAL MONTHLY NONFARM PAYROLL EMPLOYMENT (IN THOUSANDS)



Source: U.S. Bureau of Labor Statistics. Data as on August 2025.

In a surprising twist to the tale, the real Gross Domestic Product (GDP) of the U.S. increased at an annual rate of 3.8% in the second quarter of 2025, driven by a decrease in imports and higher consumer spending (Third estimate released by the U.S. Bureau of Economic Analysis). Will the U.S. Federal Reserve continue to lower the benchmark interest rates to support a wobbling labour market? Only time will tell.

Gold ascends to a new high

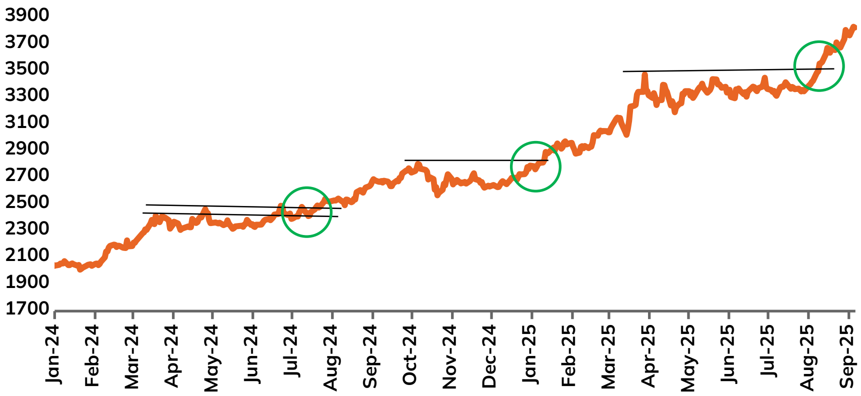
Gold prices rose to around $3,806/ounce on September 30, 2025, driven by a whirlwind of developments:

a) **The appeal for Gold has increased as concerns loom over deteriorating U.S. fiscal health and prolonged geopolitical tensions.**

b) **Foreign central banks hold more gold than U.S. Treasuries, indicating the quest to diversify foreign exchange reserves** amid rising global economic uncertainties, trade frictions and weakness in the U.S. Dollar Index.

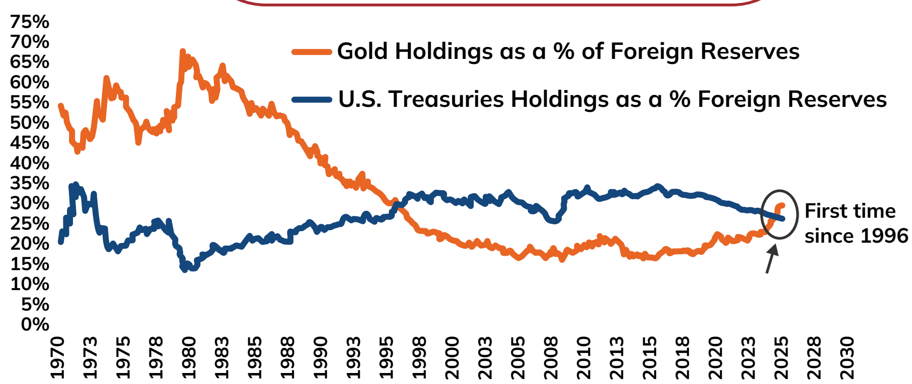
c) **Gold is being used as a component in advanced hardware for devices enabled with Artificial Intelligence.**

GOLD PRICES (LBMA, $/OUNCE)



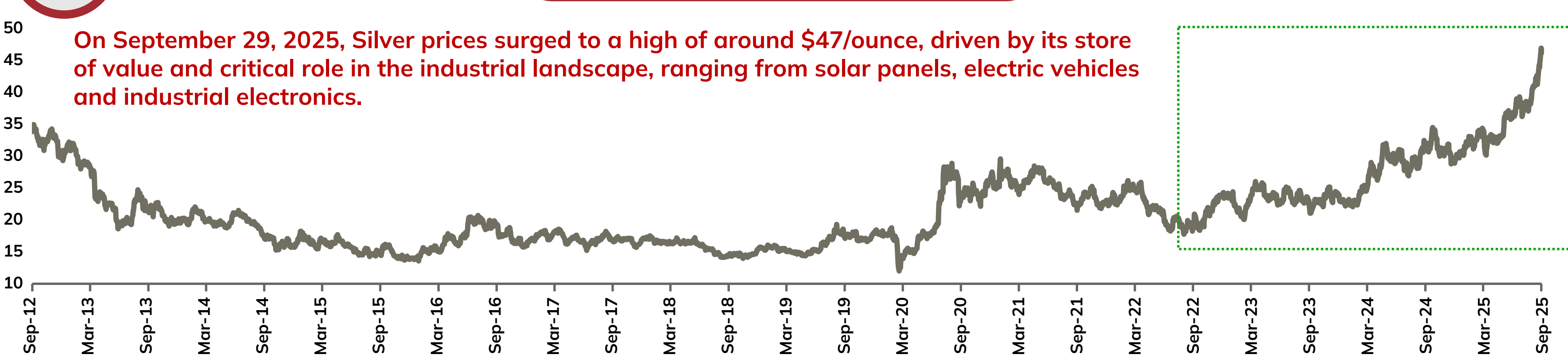
Source: LBMA: London Bullion Market Association. Data as on September 30, 2025.
The gold price in India was around ₹1,15,349/10 gms on September 30, 2025.

CENTRAL BANKS' GOLD AND U.S. TREASURIES HOLDINGS AS A % OF INTERNATIONAL RESERVES



Source: Reuters, Crescat Capital. Data as on August 27, 2025. U.S.: United States.

SILVER PRICES (LBMA, $/OUNCE)



Source: LBMA: London Bullion Market Association. Data as on September 30, 2025.

Oil prices sway to the tune of Geopolitics – The Elephant in the Room

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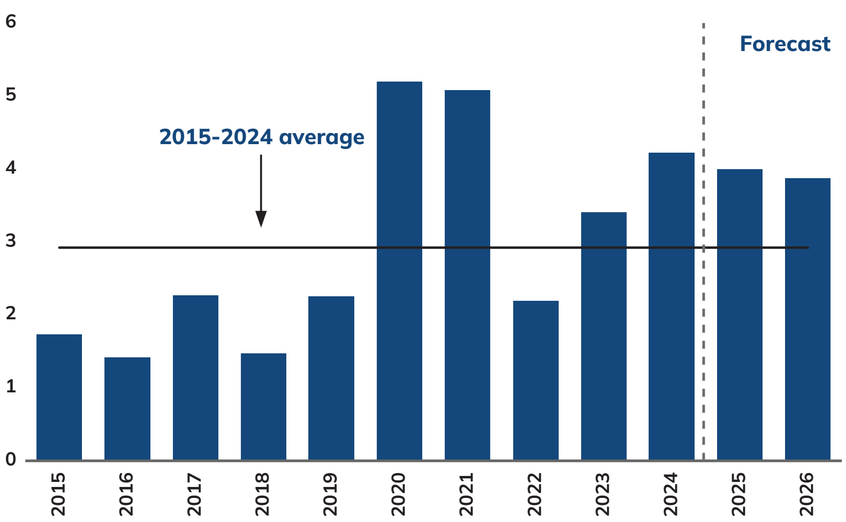
The oil market is navigating a complex landscape of geopolitical turmoil, wavering U.S. trade policies and additional sanctions on Russia and Iran, which are key global oil producers.

a) **The risk of supply disruptions heightened as Ukraine escalated attacks on Russia's energy infrastructure to weaken Moscow's military capabilities.** Further, the European Union imposed fresh sanctions targeting Russian banks and energy companies.

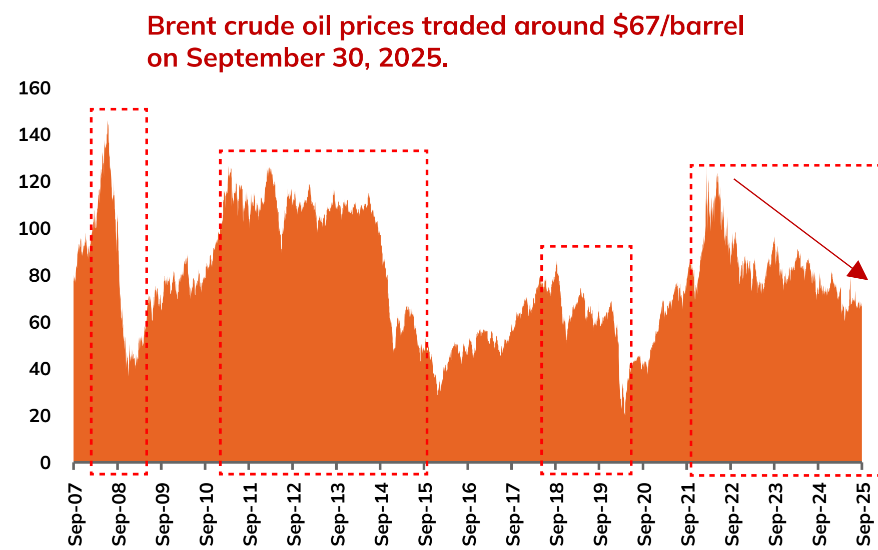
b) **In September 2025, the U.S. Federal Reserve lowered its benchmark interest rate by 25 basis points.** Lower borrowing costs tend to boost the demand for oil.

SURPLUS CRUDE OIL PRODUCTION CAPACITY OF OPEC (MILLION BARRELS PER DAY)



Source: U.S. Energy Information Administration, Short-Term Energy Outlook, September 2025. The black line represents 2015-2024 average (2.9 million barrels per day).

BRENT CRUDE OIL PRICE ($/BARREL)



Source: Reuters. Data as on September 30, 2025. OPEC: Organization of the Petroleum Exporting Countries. U.S.: United States.

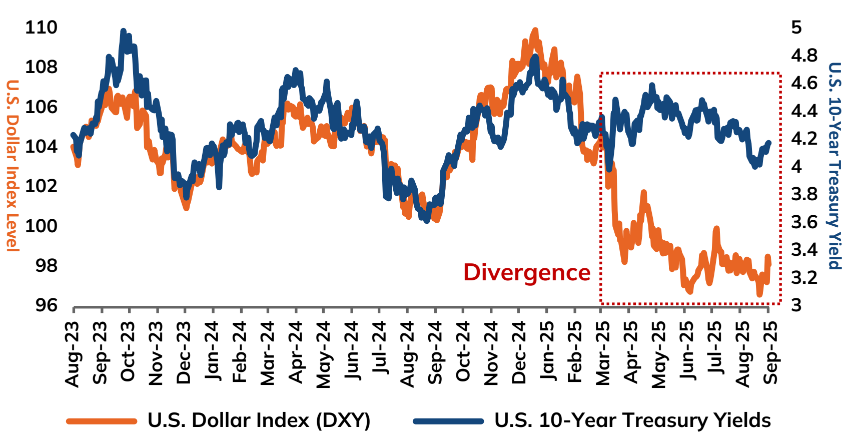
c) **The OPEC cartel decided to raise oil production by 137,000 barrels per day from October 2025.** Though the cartel has spare capacity, the oil market is being pulled in different directions, which requires vigilance.

The Trajectory of Bond Yields

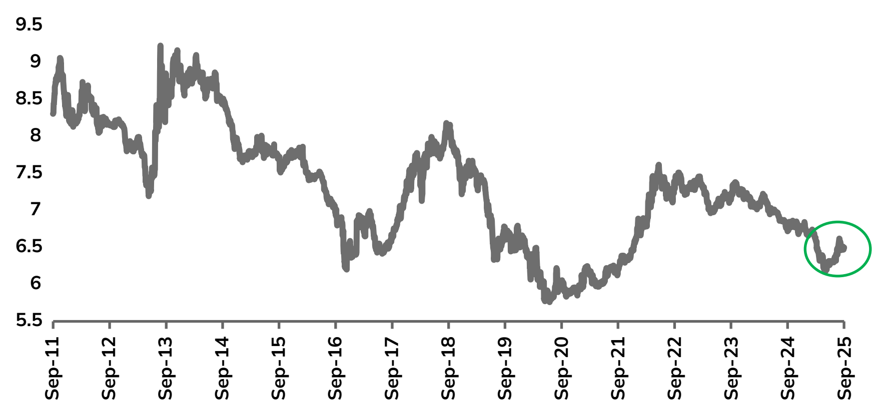
The U.S. 10-year Treasury yield declined to around 4.20% on September 26, 2025, following the benchmark interest rate cut by the U.S. Federal Reserve. The downside risks to employment have risen and inflation remains somewhat elevated, weaving a challenging situation for the economy. **The U.S. Dollar Index hovers around 97 levels, strained by fiscal concerns, potential inflation risks and rising national debt levels.**

The Indian 10-Year G-sec yield traded around 6.52% on September 26, 2025: Pressure stems from the steep 50% trade tariff imposed by the U.S. on certain Indian goods. Additionally, the **Indian Government's decision to rationalize the GST rate** raised concerns of potential fiscal slippage.

U.S. 10-YEAR TREASURY YIELD (%) AND U.S. DOLLAR INDEX



INDIA 10-YEAR G-SEC YIELD (%)



Source: Reuters. Data as on September 26, 2025. G-sec: Government securities. U.S.: United States. GST: Goods and Services Tax.

In September 2025, foreign portfolio investors invested ₹12,254 crore in the Indian debt market.^ **India's rating upgrade by S&P Global Ratings and addition of Indian bonds to FTSE Russell's Emerging Markets Government Bond Index** would further encourage foreign investment.

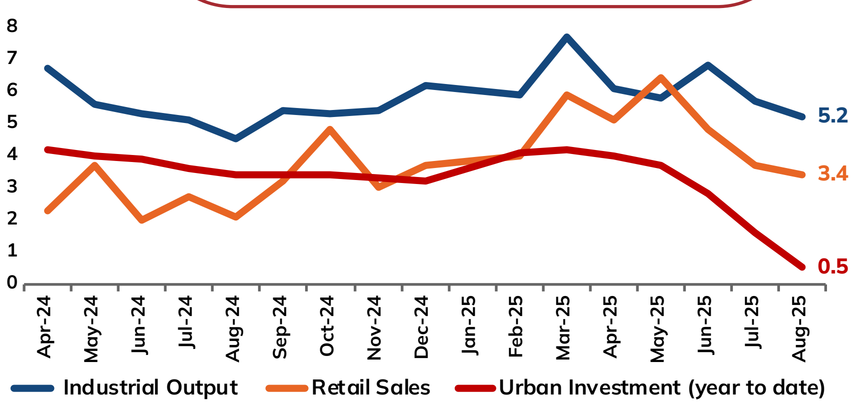
^Source: NSDL. September 2025 data is up to September 30, 2025. Debt market investment includes Debt-General Limit, Debt-Voluntary Retention Route, Debt-Fully Accessible Route.

China's economy continues to display signs of fatigue

China's economy displayed further signs of weakness in August 2025 with a decline in factory output and domestic demand. In August 2025, China's Industrial output grew 5.2% year-on-year, marking its weakest level since August 2024. Retail sales grew 3.4% year-on-year during the month, lower than the 3.7% growth recorded in July 2025. **China's consumer price inflation slipped 0.4% in August 2025, highlighting deflationary pressures.**

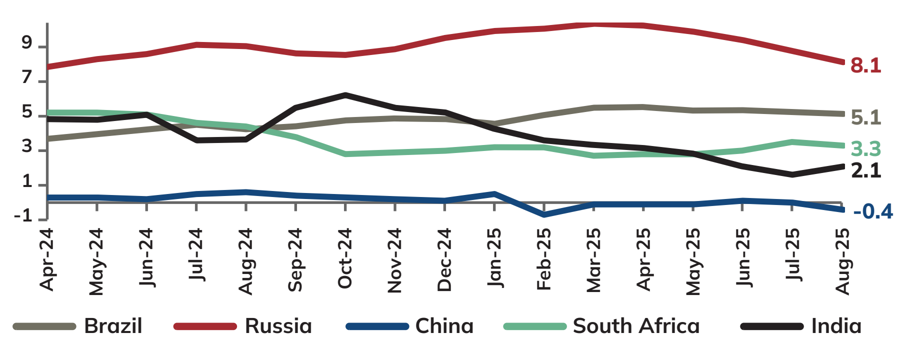
Despite sluggish domestic demand, the People's Bank of China kept the one-year loan prime rate unchanged at 3.0% and kept the five-year rate steady at 3.5% in September 2025.

CHINA'S SLOWING INDUSTRIAL OUTPUT, RETAIL SALES AND URBAN INVESTMENT (%)



Source: National Bureau of Statistics.

HEADLINE INFLATION OF SELECT EMERGING MARKET ECONOMIES (%)



Source: Reserve Bank of India (RBI) Bulletin, September 2025.

Environment fraught with fresh trade tensions? Nvidia, a leading American technology company, decided to purchase a $5 billion worth of stake in Intel, which would help co-develop chips for personal computers and data centres. China has reportedly banned its biggest technology companies from buying Nvidia's artificial intelligence chips to support domestic semiconductor production and reduce reliance on American technology (Data Source: Reuters).

GST 2.0 Reforms: A Fiscal Stimulus with the potential to boost economic growth

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The GST Council of the Government of India recommended a shift from the four-slab tax rate structure (5%, 12%, 18%, 28%) to a 2-tier structure (5% and 18%) for most items and a special de-merit rate of 40% for select luxury and sin goods. The following captures the key highlights:

GST reforms cut taxes on household essentials (soaps, toothpaste, Indian breads) to 5% or Nil, boosting affordability.

Life-saving drugs, medicines reduced from 12% to Nil or 5%, making healthcare affordable.

Two-wheelers, small cars, Televisions, Air conditioners, cut from 28% to 18%, bringing relief to the middle-class.

Farm machinery, irrigation equipment cut from 12% to 5%, reducing farming costs.

Essential learning materials like pencils, erasers and exercise books made GST-free to ease education costs.

GST on leather, footwear, textiles, handicrafts and toys reduced to 5% to boost MSMEs and exports.

Tobacco, pan masala, aerated drinks, and luxury goods taxed at 40%.

GST on cement reduced from 28% to 18%, lowering housing and infrastructure costs.

WHAT ARE THE BENEFITS?

- **Higher Demand:** Lower prices of goods would increase household savings and stimulate consumption.
- **Formalization:** A simplified rate structure would ease compliance and deliver a stronger push to formalization.
- **Support for MSMEs:** Reduced rates on inputs like cement, auto parts and handicrafts would lower costs and make small businesses more competitive.
- **Economic Momentum:** Lower costs → Higher demand → Larger tax base → Stronger revenues → Sustainable growth.

Source: Government of India. Press Information Bureau. GST: Goods and Services Tax. MSMEs: Micro, Small and Medium Enterprises. 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).

India's Retail Inflation rose for the first time since October 2024

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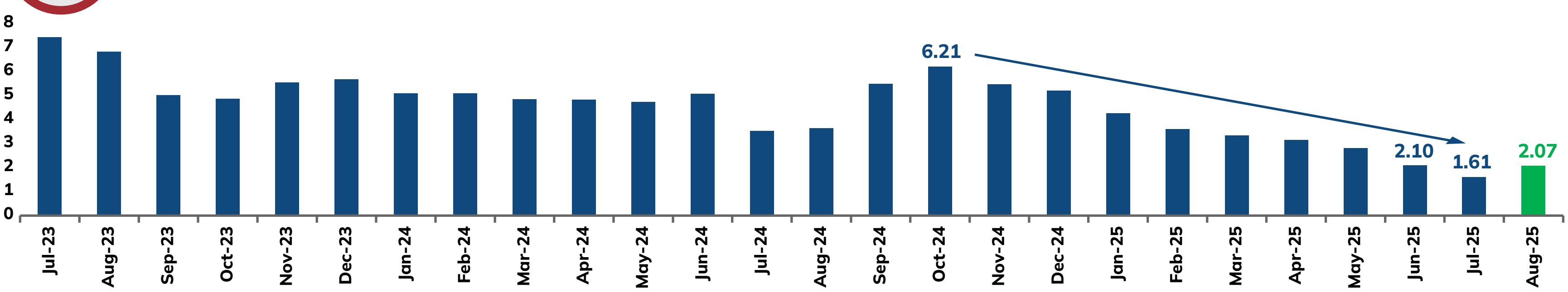
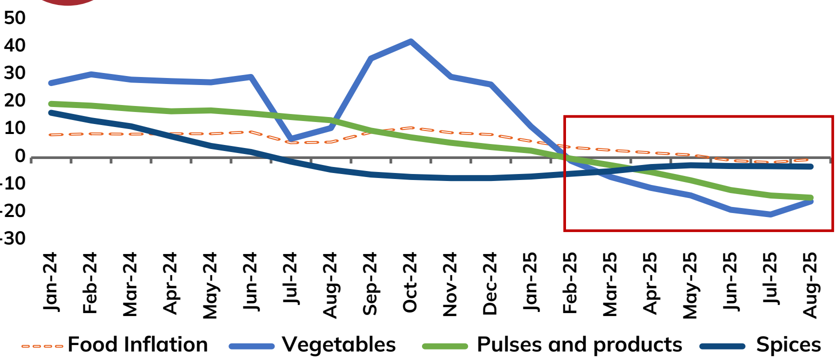
India's retail inflation, measured by Consumer Price Index (CPI), edged up to 2.07% in August 2025, up from an upwardly revised 1.61% in July 2025. In August 2025, Food inflation stayed in the negative territory at -0.69% as compared to -1.76% in July 2025. **Strong monsoon rains, healthy Kharif sowing and adequate reservoir levels** bode well for food price stability. **Further, the recent rationalization of GST rates is likely to have a positive impact on the overall inflationary environment.**

INDIA'S HEADLINE INFLATION (%)



Deflation in key components, such as vegetables (-15.92%), pulses (-14.53%) and spices (-3.24%) contributed to the decline in food prices. However, prices of fruits (11.65%) and oils and fats (21.24%) continue to remain elevated. The government's recent decision to reduce basic customs duty on edible oils could help cushion price pressures. **In August 2025, Core inflation, which excludes volatile items like food and fuel prices, stood at 4.2%,** driven by rising gold prices.

DEFLATION IN KEY FOOD COMPONENTS (%)



Group	Weightage	Aug-25 (YoY)	Jul-25 (YoY)
Food and beverages	45.86%	-0.1%	-0.8%
Pan, tobacco and intoxicants	2.38%	2.5%	2.5%
Clothing and footwear	6.53%	2.3%	2.5%
Housing	10.07%	3.1%	3.2%
Fuel and light	6.84%	2.4%	2.7%
Miscellaneous	28.32%	5.1%	5.0%

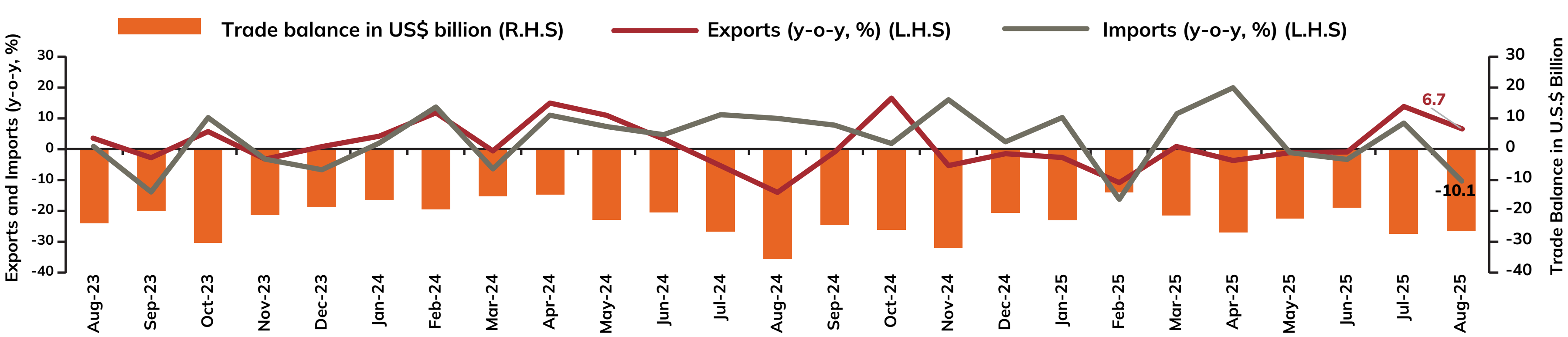
Source: Centre for Monitoring Indian Economy (CMIE), Ministry of Statistics and Programme Implementation (MOSPI). Reserve Bank of India (RBI). Data as on August 2025. YoY: Year-on-Year.

India's Merchandise Trade deficit narrows despite global trade headwinds

Indian exporters are combating challenges hurled by geopolitical turmoil and a steep 50% tariff rate levied by the U.S. on most Indian goods. Despite global headwinds, India's merchandise trade deficit narrowed to $26.49 billion in August 2025 from $27.35 billion in July 2025.

In the wake of global trade uncertainties, **the Indian government strives to improve India's competitiveness in the global supply chain and reduce dependence on critical geographies.**

INDIA'S MERCHANDISE TRADE DEFICIT ($, BILLION)



Source: Reserve Bank of India (RBI) Bulletin, September 2025. Press Information Bureau (PIB), The Directorate General of Commercial Intelligence and Statistics (DGCI&S). U.S.: United States. y-o-y: year-on-year.

INDIA'S MERCHANDISE IMPORTS

In August 2025, India's merchandise imports fell to $61.59 billion from $64.59 billion recorded in July 2025.

The surge in imports was driven by higher demand for petroleum and crude products, electronic goods and machinery.

INDIA'S MERCHANDISE EXPORTS

In August 2025, India's merchandise exports dropped to $35.10 billion from $37.24 billion in July 2025.

The major drivers of merchandise exports included engineering goods, electronics, gems and jewellery, pharmaceuticals and petroleum products.

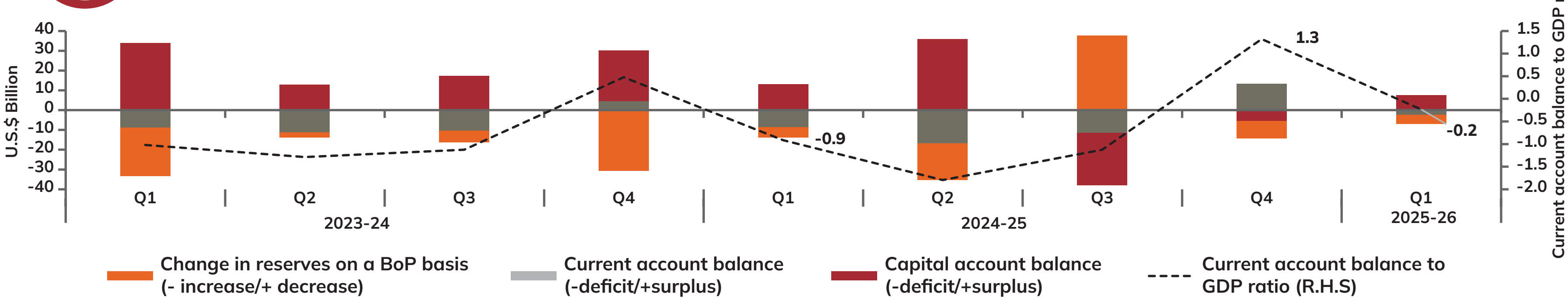
Source: Ministry of Commerce and Industry. U.S.: United States. The sector(s) /stock(s) mentioned in this presentation do not constitute any recommendation of the same and ICICI Prudential Mutual Fund may or may not have any future position in these sector(s)/stock(s).

India's Current Account Balance

After recording a surplus in the January-March 2025 quarter, India's current account balance recorded a deficit of $2.4 billion (0.2% of GDP) in Q1:2025-26, lower than the deficit of $8.6 billion (0.9% of GDP) in Q1:2024-25.

Contributing to the current account deficit, Merchandise trade deficit rose to $68.5 billion in Q1:2025-26 from $63.8 billion in Q1:2024-25 amid geopolitical disruptions and wavering U.S. trade policies.

INDIA'S BALANCE OF PAYMENTS



Source: Reserve Bank of India (RBI) Bulletin, September 2025. GDP: Gross Domestic Product. R.H.S.: Right-hand side. BoP: Balance of Payments. Q: Quarter. U.S.: United States.

Net services receipts increased to $47.9 billion in Q1:2025-26 from $39.7 billion a year ago. Services exports have risen on a year-on-year basis in major categories such as business services and computer services.

Net outgo on the primary income account, primarily reflecting payments of investment income, increased to $12.8 billion in Q1:2025-26 from $10.9 billion in Q1:2024-25. Further, Personal transfer receipts rose to $33.2 billion in Q1:2025-26 from $28.6 billion in Q1:2024-25.

Current Account		
	Q1:FY25 (US$ Billion)	Q1:FY24 (US$ Billion)
Goods (including POL)	-68.5	-63.8
POL	-31.9	-30.9
Services	47.9	39.7
Primary Income	-12.8	-10.9
Secondary Income	31.0	26.3

Capital Account & Financial Account		
	Q1:FY25 (US$ Billion)	Q1:FY24 (US$ Billion)
Direct Investment	5.7	6.2
Portfolio Investment	1.6	0.9
Other Investment	5.9	9.5
Reserve Assets	-4.5	-5.2
Net Errors & Omission	-0.8	0.8

Source: Reserve Bank of India (RBI), CAD: Current Account Deficit, GDP: Gross Domestic Product, POL: Petroleum, Oil & Lubricants. Data for April 01, 2025 – June 30, 2025 quarter. U.S.$: U.S. Dollar. Bn: Billion. Q: Quarter. Other Investment (in table) includes Financial derivatives and employee stock options.

Why did India's Private sector growth moderate?

The HSBC Flash India Composite Output Index, which tracks the month-on-month change in the combined output of India's manufacturing and service sectors, retreated to 61.9 in September 2025 from the multi-year high of 63.2 in August 2025. During the month, a softer expansion in new business intake was accompanied by slower increases in private sector output and employment.

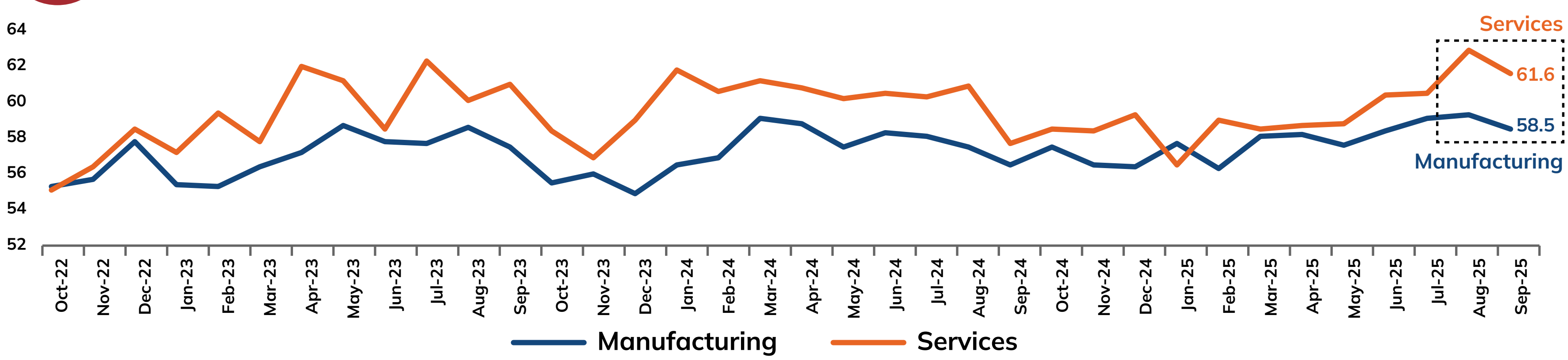
The pace of expansion of the HSBC Flash India Manufacturing PMI remains healthy:

a) **Domestic orders:** New domestic orders rose for the last two months, likely on the back of lower Goods and Services Tax rates.

b) **Government initiatives:** The Production Linked Incentive (PLI) Scheme plays a key role in strengthening domestic manufacturing prowess and enhancing India's global competitiveness.

c) **Key factors driving optimism:** Going ahead, capacity expansion, competitive pricing, strong demand, efficiency improvements and marketing initiatives could support the growth of businesses.

INDIA'S PURCHASING MANAGERS' INDEX (PMI)



Source: S&P Global. Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. 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. The services sector is defined by S&P Global as consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. GDP: Gross Domestic Product. U.S.: United States.

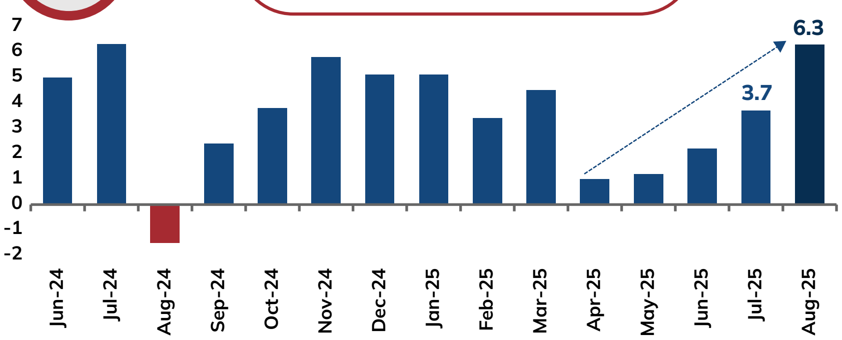
d) **International sales growth slowed:** The imposition of the 50% tariff rate by the U.S. on Indian goods has likely resulted in a slower rise in new export orders over August-September 2025.

e) **Pricing pressures persisted in the service sector:** Companies reported higher input costs for items such as cotton, electronic components, oil, steel, vegetables and wood, along with increased wage bills.

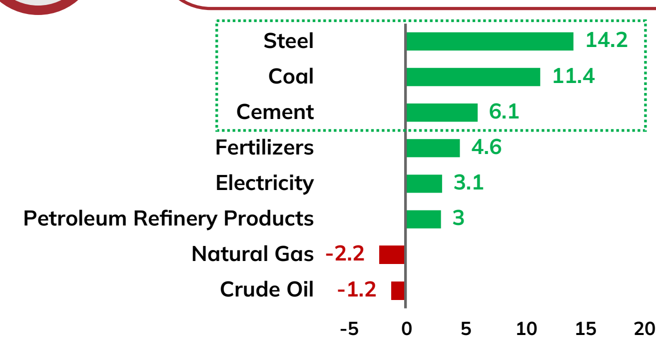
India's Core sector growth rises

India's core sector output, a key indicator of India's infrastructure sector, recorded a growth of 6.3% in August 2025, higher than the revised growth print of 3.7% in July 2025. **This was supported primarily by expansion in coal, steel and cement production. Growth in cement and steel production was driven by construction activities across** the country, including housing and infrastructure projects. **On the other hand, crude oil and natural gas output continued to decline with reduced purchases of fuel.**

INDEX OF EIGHT CORE INDUSTRIES (%)



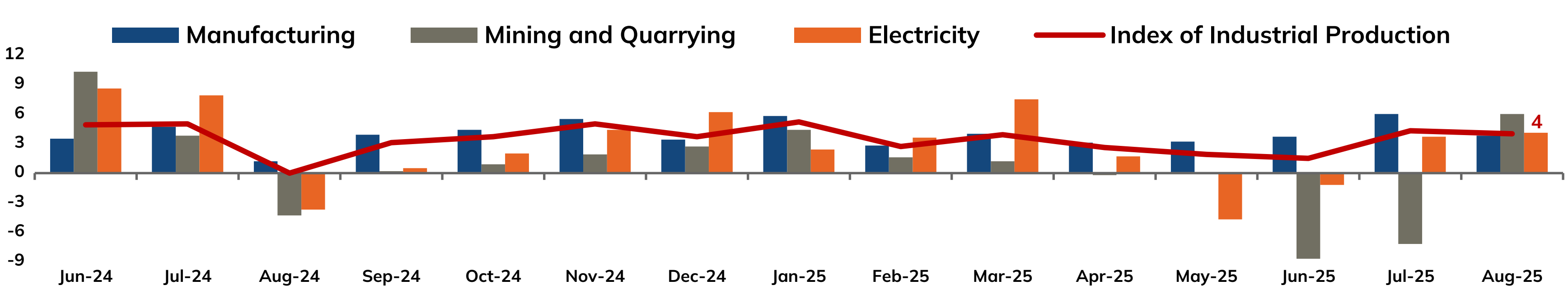
SECTOR OUTPUT GROWTH IN AUGUST 2025 (%)



Source: Ministry of Commerce and Industry. The eight core sectors are: Coal, crude oil, natural gas, refinery products, fertilizers, steel, cement, and electricity. August 2025 print is provisional. Year-on-year growth.

In August 2025, India's industrial production recorded a growth of 4.0% year-on-year, compared to a revised growth of 4.3% in July 2025. While improvements in the mining and electricity sectors supported the overall Index of Industrial Production (IIP) growth, the upside was capped by a moderation in the manufacturing sector growth.

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



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

Factors supporting growth of Rural India

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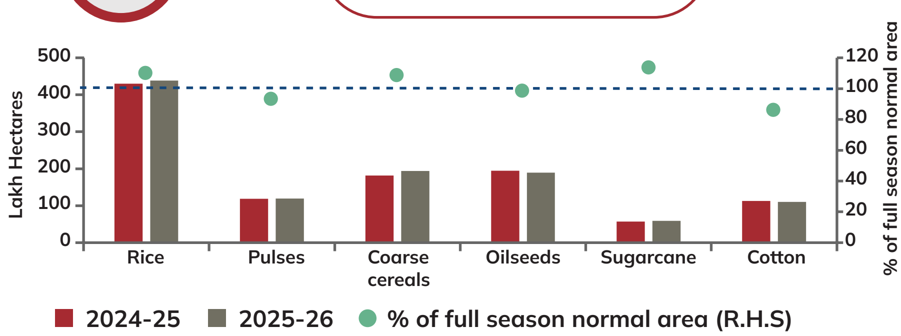
Goods and Services Tax (GST) rate on sprinklers, drip irrigation, harvesting machinery, tractor parts have been reduced from 12% to 5%. Lower GST rates would reduce farming costs and augment the income of farmers.

Kharif sowing crossed normal acreage for the full season, supported by above normal monsoon rainfall.

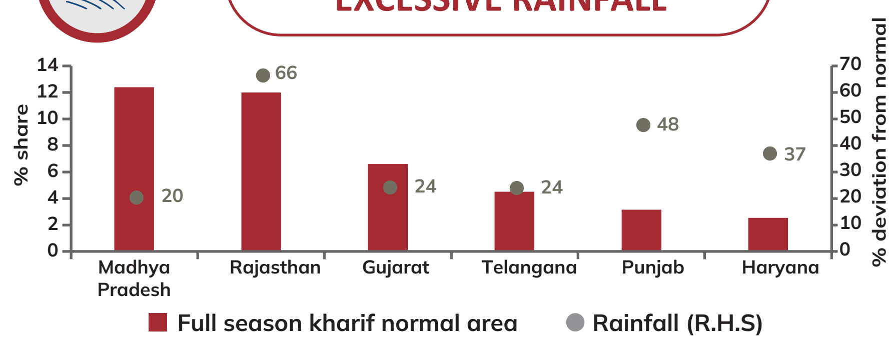
KHARIF SOWN AREA



Source: Data is as on September 19, 2025. Ministry of Agriculture and Farmers' Welfare. Reserve Bank of India (RBI) Bulletin, September 2025. R.H.S: Right-hand side.

During June 01 2025 – September 22, 2025, the cumulative rainfall at the all-India level stood 7% above the normal level.

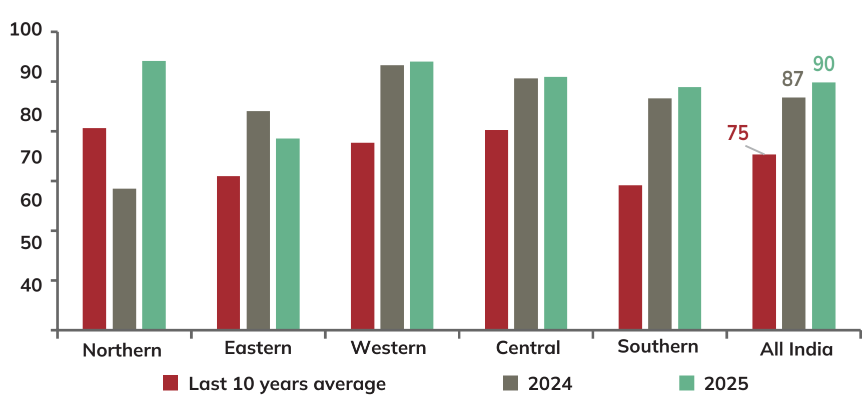
MAJOR KHARIF STATES WITH EXCESSIVE RAINFALL



Source: Rainfall data is as on September 22, 2025. Ministry of Agriculture and Farmers' Welfare; Indian Meteorological Department. Reserve Bank of India (RBI) Bulletin, September 2025.

Reservoir levels have reached 90% of the capacity, which augurs well for the upcoming Rabi season.

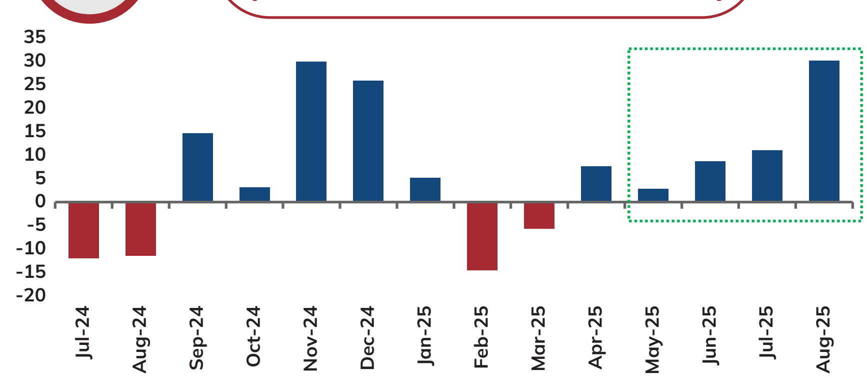
RESERVOIR STORAGE (% OF FULL RESERVOIR LEVEL)



Source: Data as on September 18, 2025. Central Water Commission. Reserve Bank of India (RBI) Bulletin, September 2025.

GST on tractors (<1800 cc) has been reduced to 5%. Lower tractor prices will make mechanization accessible to small and medium farmers, improving productivity.

RETAIL TRACTOR SALES (YEAR-ON-YEAR GROWTH %)

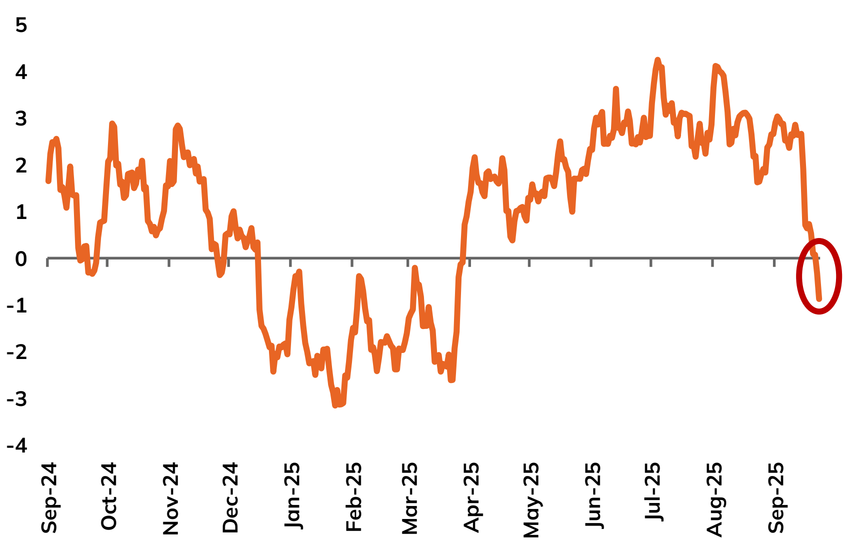


Source: Reserve Bank of India (RBI) Bulletin, September 2025. GST: Goods and Services Tax. cc: cubic centimeters.

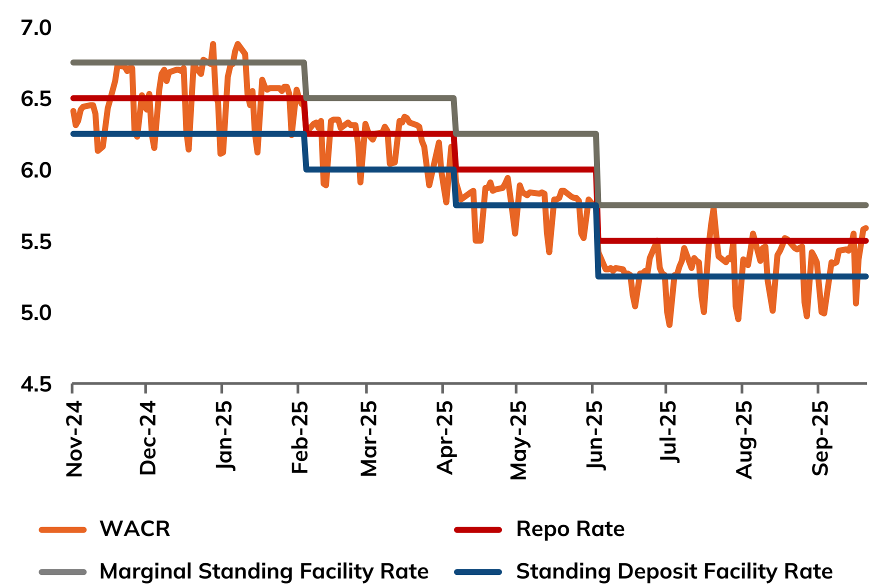
India's Banking System faced Liquidity Crunch after 6 months

Liquidity in the banking system turned to a deficit for the first time in FY2026, largely driven by advance tax outflows. Other reasons such as credit offtake from early festive season and leakages through cash withdrawals also led to the liquidity crunch. Amidst tight liquidity conditions, the **Reserve Bank of India (RBI) conducted a series of Variable Rate Repo operations to support overnight rates.**

INDIA'S BANKING SYSTEM LIQUIDITY (₹ LAKH CRORE)



CALL RATE AND POLICY CORRIDOR (%)



Source: Reserve Bank of India (RBI). CEIC. CareEdge Ratings Report. Data as of September 23, 2025. Positive values denote liquidity surplus. WACR: Weighted Average Call Rate. Bps: Basis points. FY: Financial Year.

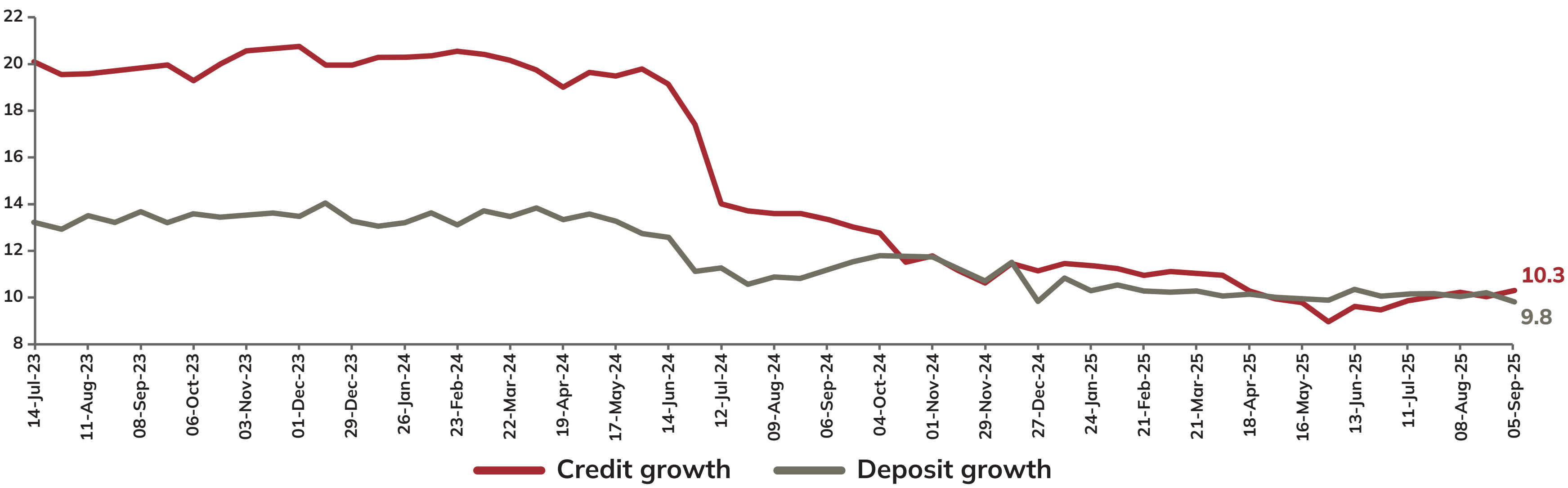
Liquidity conditions would be supported by government spending and the second tranche of the Cash Reserve Ratio (CRR) cut on October 04, 2025. The lower CRR could **enhance the lending capacity of banks and release primary liquidity of about ₹2.5 lakh crore into the banking system by December 2025.**

Bank Credit Growth Outpaced Deposit Growth

As of September 05, 2025, the credit offtake of banks stood at ₹188.0 lakh crore, reflecting a 10.3% year-on-year rise, underpinned by credit expansion to Micro, Small, and Medium Enterprises (MSMEs) in India. Bank credit growth has been weighed down by **a high base effect, subdued private capital expenditure, weaker corporate lending and reduced credit flow to Non-Banking Financial Companies** (Source: CareEdge Ratings Research).

As of September 05, 2025, bank deposit stood at ₹236.7 lakh crore, denoting a 9.8% year-on-year rise. The slower growth can be attributed to a shift towards alternative instruments (Source: CareEdge Ratings Research).

SCHEDULED COMMERCIAL BANKS: DEPOSIT AND CREDIT GROWTH (YEAR-ON-YEAR, %).



Source: Reserve Bank of India (RBI) Bulletin, September 2025. Scheduled commercial banks' data is inclusive of regional rural banks. Data include the impact of the merger of a non-bank with a bank.

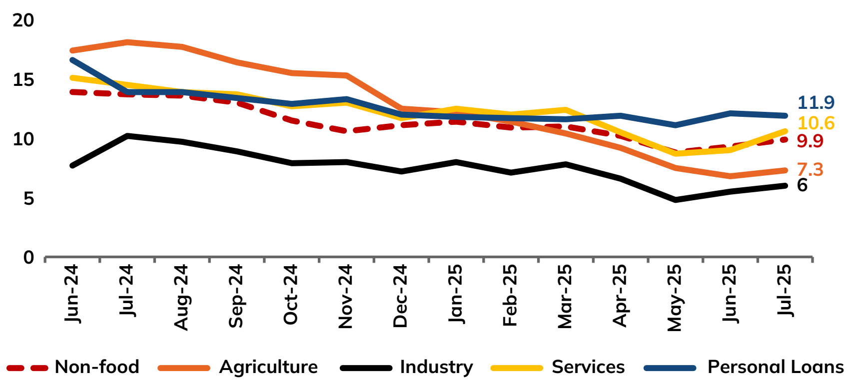
The Credit-Deposit Ratio continues to hover below the 80% mark. While credit growth has outpaced deposit growth during the September 05, 2025 fortnight, **the overall credit offtake remains lower compared to the same period last year** (Source: CareEdge Ratings Research).

A snapshot of Indian Banks' Personal Loan segment

ICICI PRUDENTIAL MUTUAL FUND

In July 2025, non-food credit growth eased to 9.9% year-on-year, a drop from 13.7% recorded in July 2024.

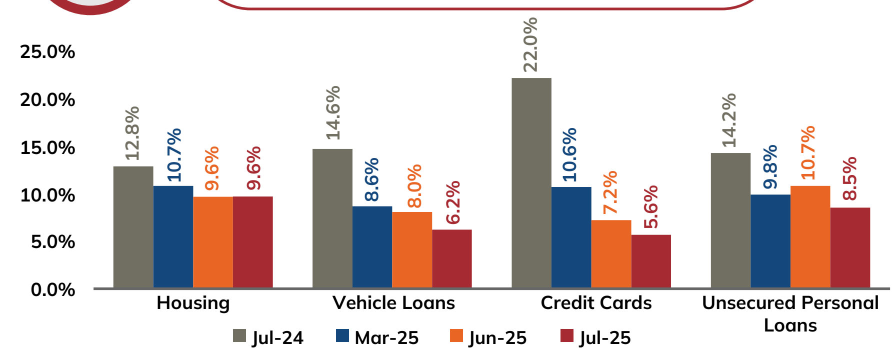
BANK CREDIT ACROSS NON-FOOD SEGMENTS (YEAR-ON-YEAR, %)



Source: Reserve Bank of India (RBI), CareEdge Ratings.

In July 2025, the deceleration was broad-based, with weaker momentum across housing, consumer durables, education, vehicle loans, credit card outstanding and other personal loans.

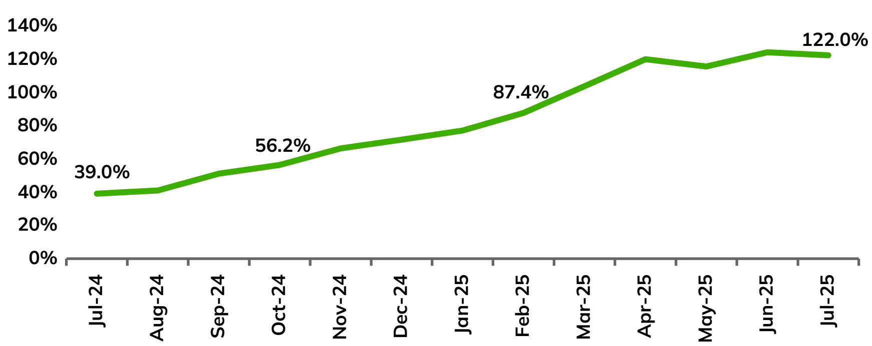
GROWTH IN PERSONAL LOAN SEGMENTS (YEAR-ON-YEAR %)



Source: Reserve Bank of India (RBI), CareEdge Ratings. Unsecured personal loans include consumer durables, credit card outstanding and other personal loans.

Advances to individuals against gold increased, driven by the reclassification of agricultural gold loans to retail loans.

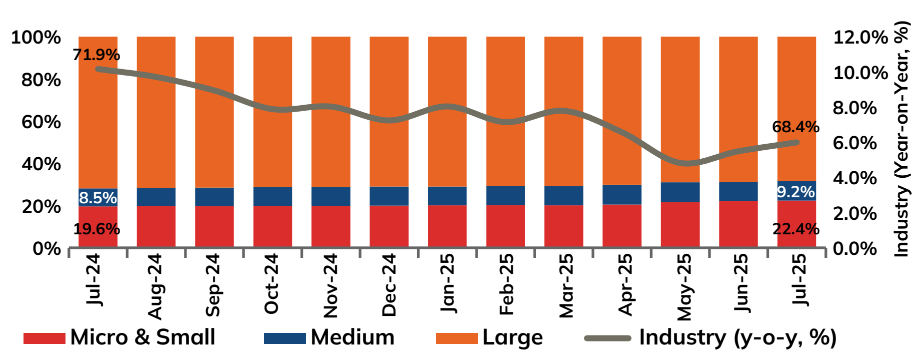
GROWTH IN GOLD LOANS (YEAR-ON-YEAR, %)



Source: Reserve Bank of India (RBI), CareEdge Ratings Research.

The contribution of MSMEs to overall credit growth has increased marginally, driven by rising formalization of small businesses coupled with policy support measures, such as the Emergency Credit Line Guarantee Scheme.

INDUSTRY CREDIT GROWTH (YEAR-ON-YEAR, %)



Source: Reserve Bank of India (RBI), CareEdge Ratings. MSMEs: Micro, Small, and Medium Enterprises. y-o-y: year-on-year.

The slippery slide of the Indian Rupee

ICICI PRUDENTIAL MUTUAL FUND

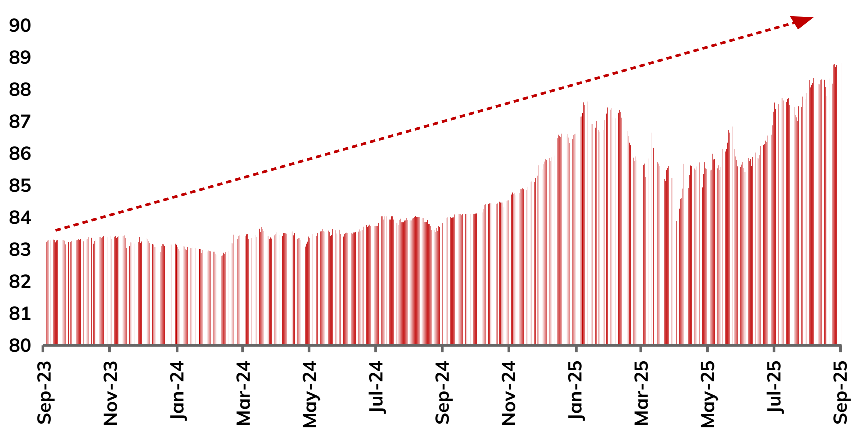
On September 30, 2025, the Indian Rupee plummeted to around 88.79 levels against the U.S. Dollar:

a) **During the month, the U.S. administration indicated that the H-1B visa fee would rise to $100,000 annually,** raising concerns of higher costs and a consequent slowdown in remittance growth. India was the largest beneficiary of H-1B visas in the fiscal 2024, accounting for 71% of the approved petitions.

b) **Aggressive trade tariff rate imposed by the U.S. on Indian goods could strain the domestic currency in the near term.**

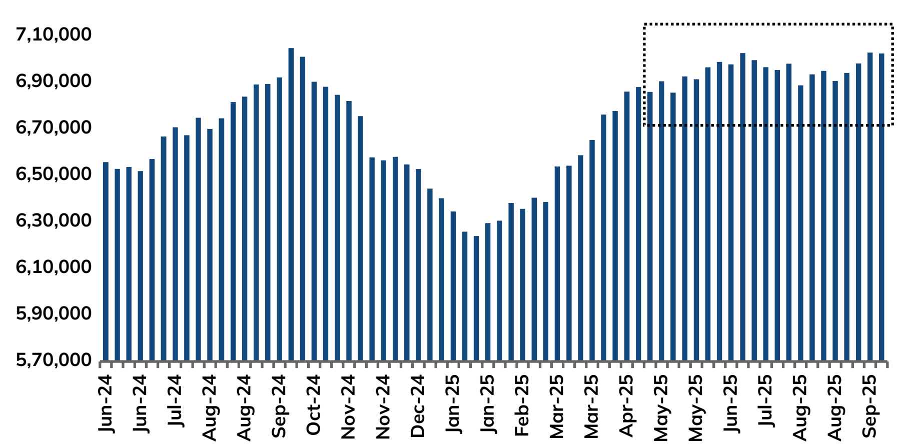
c) **Foreign Portfolio Investors continue to sell Indian equities,** which has further weakened the value of the Indian Rupee against the U.S. Dollar.

USD/INR



Source: Reuters, Data as on September 30, 2025. U.S.: United States

TOTAL FOREIGN EXCHANGE RESERVES OF INDIA ($, MILLION)



Source: Centre for Monitoring India Economy (CMIE). Data as on September 19, 2025.

However, there are factors that could support the Indian Rupee: **Firstly, S&P Global Ratings upgraded India's Sovereign Rating to 'BBB' in August 2025,** which is likely to encourage higher inflows of foreign capital. **Secondly, India's foreign exchange reserves stood at $702.57 billion as on September 19, 2025.** A healthy level of foreign exchange reserves acts as a buffer against global financial unrest.

Government's Borrowing plan for the second half of FY2025-26

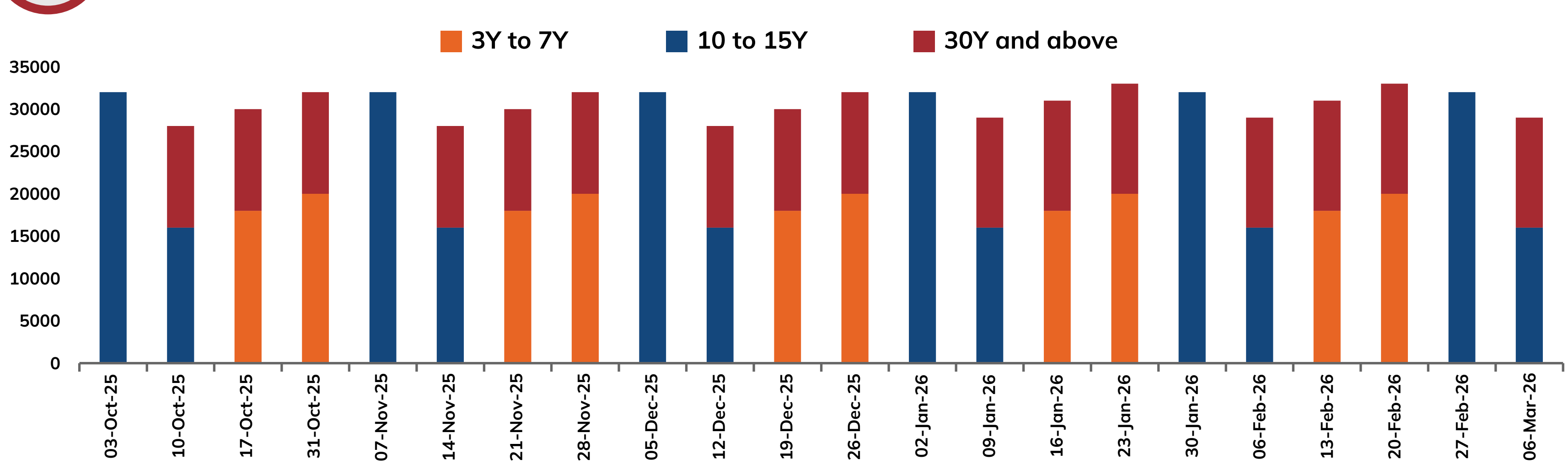
ICICI PRUDENTIAL MUTUAL FUND

The Government of India plans to borrow ₹6.77 lakh crore in the second half of FY2025-26, through dated securities, including ₹10,000 crore through issuance of Sovereign Green Bonds. The borrowing shall be completed through 22 weekly auctions till March 06, 2026.

Maturities: The market borrowing will be spread over 3, 5, 7, 10, 15, 30, 40 and 50 year securities.

Share of Borrowing: The share of borrowing, including Sovereign Green Bonds, under different maturities will be: 3-year (6.6%), 5-year (13.3%), 7-year (8.1%), 10-year (28.4%), 15-year (14.2%), 30-year (9.2%), 40-year (11.1%) and 50-year (9.2%).

G-SEC ISSUANCE BREAK-UP (₹ CRORE)



Source: Reserve Bank of India (RBI). Ministry of Finance Press release as on September 26, 2025. FY: Financial year.

Further course of action: Weekly borrowing through issuance of Treasury Bills in the third quarter of FY2025-26 is expected to be ₹19,000 crore for 13 weeks with issuance of ₹7,000 crore under 91 DTBs, ₹6,000 crore under 182 DTBs and ₹6,000 crore under 364 DTBs, respectively. (Source: Ministry of Finance Press release as on September 26, 2025. DBTs: Dated Treasury Bills).

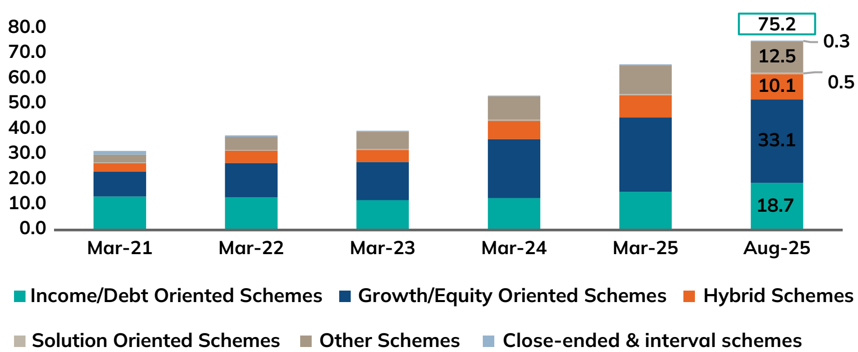
The borrowing calendar is largely in line with Budget 2025-26 figures, and did not negatively surprise against the Goods and Services Tax reform/Fiscal concern backdrop.

The Role of Mutual Funds in India's Savings Landscape

ICICI PRUDENTIAL MUTUAL FUND

The Net Assets Under Management (AUM) of India's mutual fund industry reached ₹75.19 lakh crore as on August 31, 2025.

NET ASSETS UNDER MANAGEMENT OF INDIA'S MUTUAL FUND INDUSTRY (₹, LAKH CRORE)



Source: Association of Mutual Funds in India (AMFI), CRISIL Intelligence.

Despite weak global cues, Equity mutual funds continued to witness positive momentum with inflows of ₹33,430 crore in August 2025.

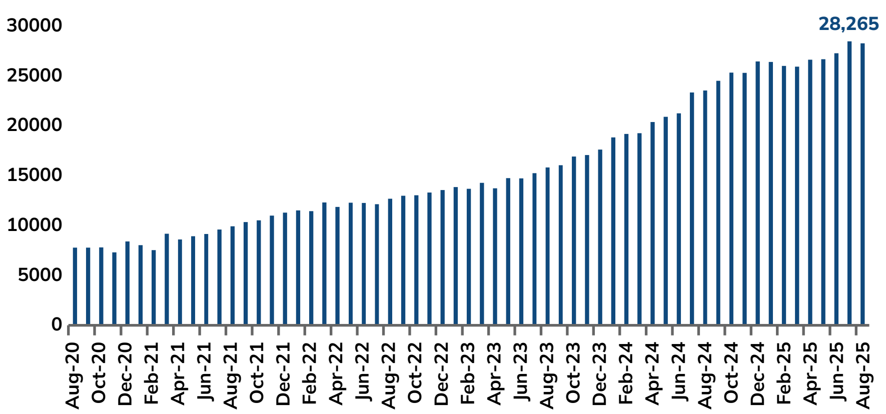
MONTHLY FLOW OF MUTUAL FUNDS (₹, CRORE)

Category	Aug-25	Jul-25	Jun-25	May-25	Apr-25	Mar-25	Feb-25
Equity	33,430	42,702	23,587	19,013	24,269	25,082	29,303
Debt	-7,980	1,06,801	-1,711	-15,908	2,19,136	-202,663	-6,526
Hybrid	15,294	20,879	23,223	20,765	14,248	-947	6,804
Others	11,437	8,259	3,997	5,526	20,229	14,149	10,249
Solution-oriented schemes	320	283	206	177	206	241	246
Closed-ended and interval schemes	-58	-131	-207	-465	-1,261	-297	-13
Total	52,443	1,78,794	49,095	29,108	2,76,827	-164,435	40,063

Source: Association of Mutual Funds in India (AMFI), CRISIL Intelligence. Cells in green to red signify the highest to lowest inflows in that period.

In August 2025, the total monthly contribution of Systematic Investment Plans stood at ₹28,265 crore.

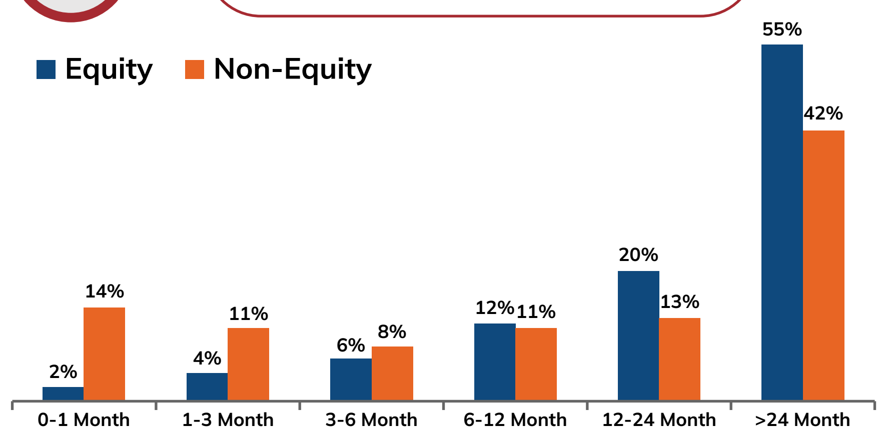
SIP CONTRIBUTION (₹, CRORE)



Source: Association of Mutual Funds in India (AMFI).

55% of the Industry's equity assets have been held for periods greater than 24 months.

HOLDING PERIOD OF MUTUAL FUND INVESTORS



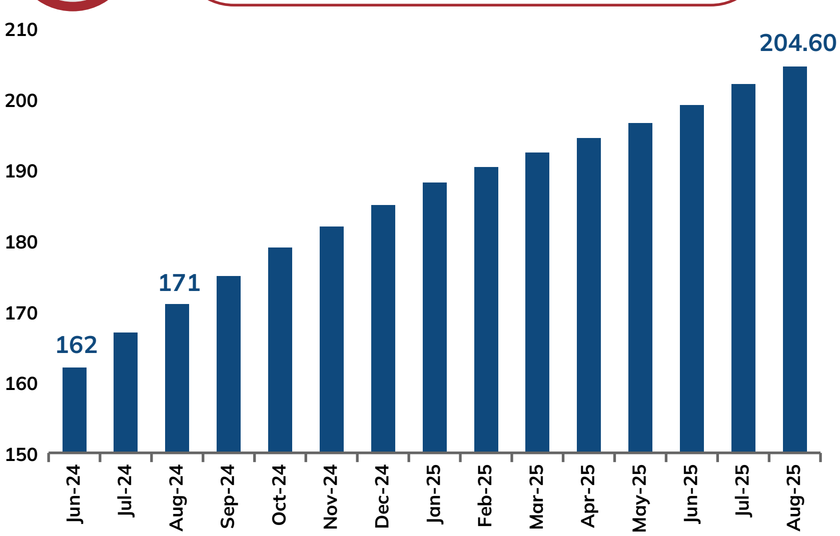
Source: Association of Mutual Funds in India (AMFI). Data as on June 30, 2025. Equity and Non-equity schemes as per AMFI classification.

Mutual Fund Folios on an upward trajectory

ICICI PRUDENTIAL MUTUAL FUND

The number of demat accounts steadily increased from 171 million in August 2024 to 204.60 million in August 2025.

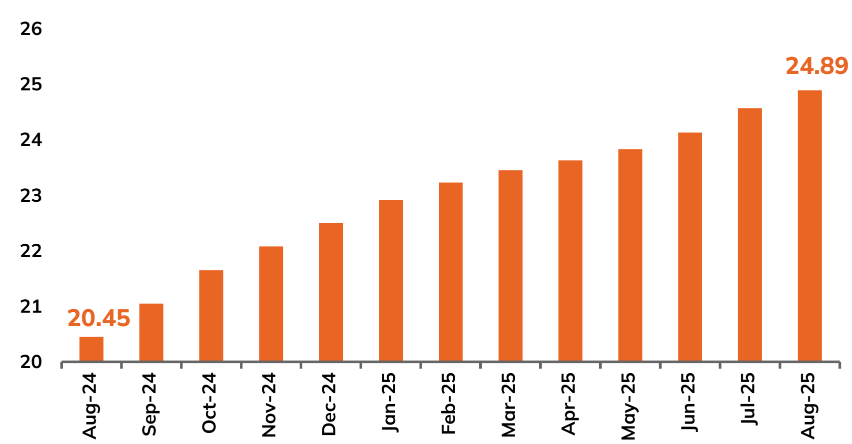
NUMBER OF DEMAT ACCOUNTS (MILLION)



Source: Central Depository Services Ltd. (CDSL), National Securities Depository (NSDL).

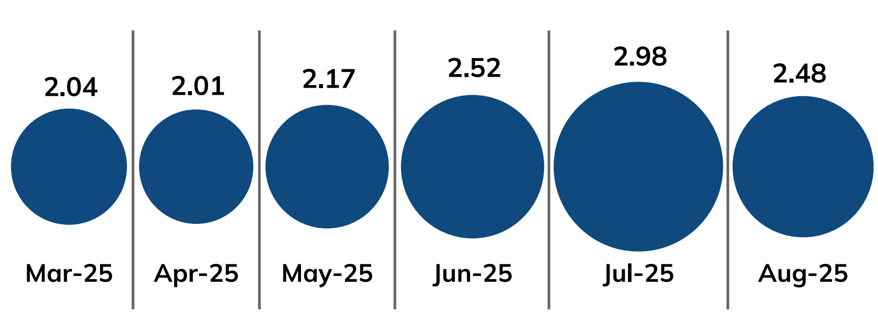
Mutual Funds - The total mutual fund folio count rose from 20.45 crore in August 2024 to 24.89 crore in August 2025.

TOTAL MUTUAL FUND FOLIO COUNT (CRORE)



Source: Association of Mutual Funds in India (AMFI). An investor may have multiple accounts in a single fund or across funds.

NET ADDITIONS IN DEMAT ACCOUNTS (MILLION)



Source: Central Depository Services Ltd. (CDSL), National Securities Depository (NSDL).

SYSTEMATIC INVESTMENT PLAN TREND

Contribution	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025
No. of contributing SIP accounts (crore)	8.99	9.11	8.64	8.56	8.38	8.11
SIP assets (₹ lakh crore)	15.18	15.19	15.31	14.61	13.90	13.35
SIP assets as a percentage of industry assets	20.2	20.2	20.6	20.2	19.9	20.3

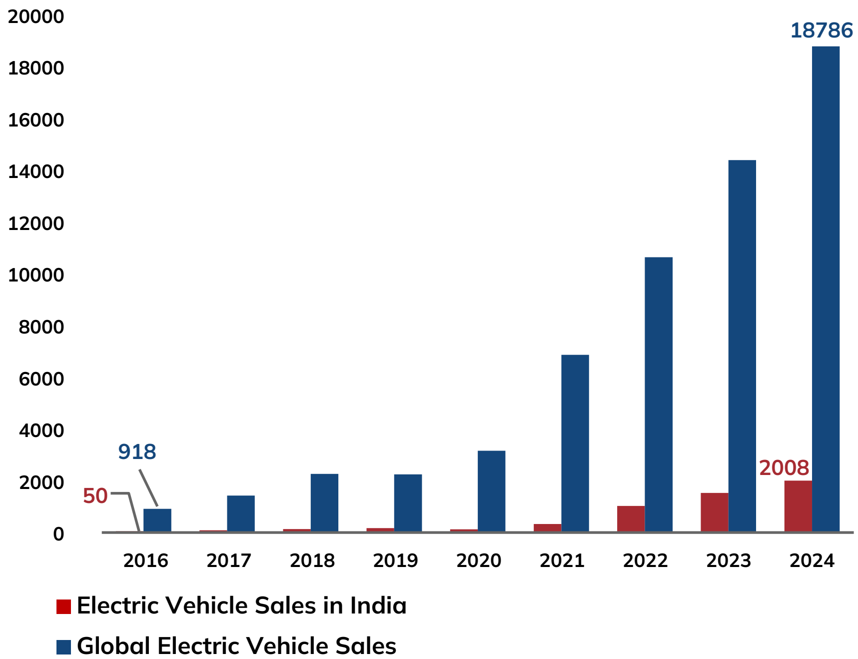
Source: Association of Mutual Funds in India (AMFI), CRISIL Intelligence.
SIP: Systematic Investment Plan.

India Gears Up for penetration of Electric Vehicles

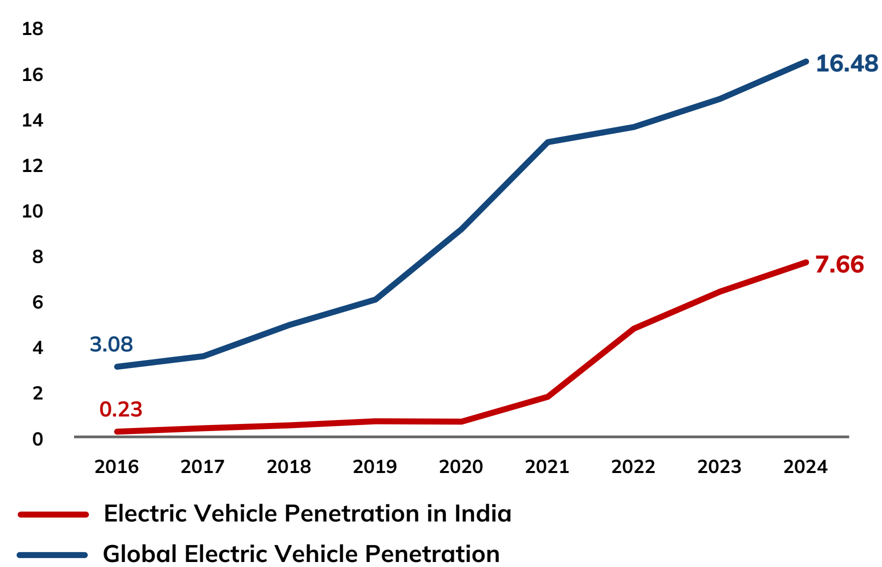
The sale of Electric Vehicles in India rose from 50,000 in 2016 to 2.08 million in 2024 as against global Electric Vehicle sales that climbed from 918,000 in 2016 to 18.78 million in 2024. Adoption of Electric Vehicles has been increasing in India but has been slower than the pace in some of the leading countries like the U.S., EU and China.

Transitioning towards electric mobility has primarily been driven by the rising import bill for petroleum fuels and the need to reduce greenhouse gas emissions. India aims to attain a 30% share of electric vehicles, with respect to the total vehicles sold, by 2030. In line with this ambition, India set up a National Mission on Electric Mobility and the FAME scheme aimed at providing financial support, which would boost the adoption of Electric Vehicles.

ELECTRIC VEHICLE SALES - INDIA AND GLOBAL (IN THOUSANDS)



ELECTRIC VEHICLE PENETRATION RATE - INDIA AND GLOBAL (%)



Source: NITI Aayog, International Energy Agency Global Electric Vehicle Data Explorer for global data, VAHAN Portal for India data. U.S.: United States. EU: European Union. 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 Narrative of High-Frequency Indicators

ICICI PRUDENTIAL MUTUAL FUND

The high-frequency indicators for overall economic activity remained robust in August 2025. **GST e-way bills grew at a robust pace, reflecting inventory stocking for the festive season and a surge in orders ahead of the steep U.S. tariffs on Indian goods.** Digital payments continued to record a double-digit growth in volume.

High Frequency Indicators: Economic Activity

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
GST e-way bills	12.9	18.5	16.9	16.3	17.6	23.1	14.7	20.2	23.4	18.9	19.3	25.8	22.4
GST revenue	10.0	6.5	8.9	8.5	7.3	12.3	9.1	9.9	12.6	16.4	6.2	7.5	6.5
Toll collection	6.8	6.5	7.9	11.9	9.8	14.8	18.7	11.9	16.6	16.4	15.5	14.8	12.7
Electricity demand	-5.0	-0.8	-0.4	3.7	5.1	1.3	2.4	5.7	2.8	-4.8	-2.3	2.6	3.9
Petroleum consumption	-3.1	-4.4	4.1	10.6	2.0	3.0	-5.2	-3.1	0.2	0.7	0.5	-3.9	2.6
Of which Petrol	8.6	3.0	8.7	9.6	11.1	6.7	5.0	5.7	5.0	9.2	6.8	5.9	5.5
Diesel	-2.5	-1.9	0.1	8.5	5.9	4.2	-1.3	0.9	4.2	2.1	1.5	2.4	1.2
Aviation turbine fuel	8.1	10.4	9.4	8.5	8.7	9.4	4.2	5.7	3.9	4.3	3.3	-2.3	-2.9
Digital payments - volume	34.9	36.3	40.3	30.1	33.1	33.0	26.7	30.8	30.0	29.2	28.3	30.9	28.8

<<<<<<Contraction---Expansion>>>>>>

Source: Reserve Bank of India Bulletin, September 2025. Goods and Services Tax Network (GSTN), Central Electricity Authority (CEA), Ministry of Petroleum and Natural Gas, Government of India. Year-on-year growth % has been calculated for all indicators. The heatmap translates the data range for each indicator into a colour gradient scheme with red denoting the lowest values and green corresponding to the highest values of the respective data series. U.S.: United States. GST: Goods and Services Tax.

During August 2025, rural demand stood strong – Robust retail tractor sales and recovery in two-wheeler sales was aided by a favourable monsoon and easing inflation. Further, household demand for employment under the Mahatma Gandhi National Rural Employment Guarantee Scheme declined during the month with the availability of alternative avenues of employment. Urban demand continued to show some weakness as denoted by a modest uptick in automobile sales and subdued domestic air passenger traffic.

High Frequency Indicators: Rural and Urban Demand

		Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
Urban demand	Domestic air passenger traffic	6.7	7.4	9.6	13.8	10.8	14.1	12.1	9.9	9.7	2.6	3.7	-2.5	-1.1
	Retail passenger vehicle sales	-4.5	-18.8	32.4	-13.7	-2.0	15.5	-10.3	6.3	1.6	-3.1	2.5	-0.8	0.9
Rural demand	Retail automobile sales	2.9	-9.3	32.1	11.2	-12.5	6.6	-7.2	-0.7	2.9	5.4	4.8	-4.3	2.8
	Retail tractor sales	-11.4	14.7	3.1	29.9	25.8	5.2	-14.5	-5.7	7.6	2.8	8.7	11.0	30.1
	Retail Two-wheeler sales	6.3	-8.5	36.3	15.8	-17.6	4.2	-6.3	-1.8	2.3	7.3	4.7	-6.5	2.2
	MGNREGA: work demand	-16.0	-13.4	-7.6	3.9	8.2	14.4	2.8	2.2	-6.5	4.4	4.4	-12.3	-26.1

<<<<<<Contraction---Expansion>>>>>>

Source: Reserve Bank of India Bulletin, September 2025. Year-on-year growth % has been calculated for all indicators. The heatmap translates the data range for each indicator into a colour gradient scheme with red denoting the lowest values and green corresponding to the highest values of the respective data series. The data on domestic air passenger traffic for August 2025 growth rate is calculated by aggregating daily data. Airports Authority of India, Federation of Automobile Dealers Associations (FADA), Ministry of Rural Development, Government of India. MGNREGA: Mahatma Gandhi National Rural Employment Guarantee Act.

The Narrative of High-Frequency Indicators

ICICI PRUDENTIAL MUTUAL FUND

Production and sales of passenger vehicles are likely to pick up in the following months, supported by the festive season demand and a lower Goods and Services Tax (GST) rate.

High Frequency Indicators: Industry

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
Automobile Production	4.4	10.1	10.0	8.0	1.3	9.4	2.3	6.5	-1.7	5.2	1.2	10.7	8.1
Passenger vehicle production	0.7	-3.4	-4.0	6.5	9.2	3.7	4.5	11.2	10.8	5.4	-1.8	0.1	-4.1
Tractor production	-1.0	2.7	0.4	24.7	20.9	23.7	-7.8	18.5	20.5	9.1	9.8	11.5	9.4
Two-wheelers production	4.9	12.9	13.3	8.8	-0.6	10.3	1.6	5.6	-4.1	4.7	1.4	12.3	10.0
Three-wheelers production	9.0	3.9	-6.7	-5.5	7.6	16.2	6.5	6.0	4.1	16.9	8.6	24.0	15.8
Crude steel production	3.9	0.3	4.2	4.5	8.3	7.4	6.0	8.5	9.3	11.0	12.6	14.0	11.1
Finished steel production	3.0	0.7	4.0	2.8	5.3	6.7	6.7	10.0	6.6	7.0	10.9	13.8	13.0

<<<<<<Contraction---Expansion>>>>>>

Source: Reserve Bank of India Bulletin, September 2025. Year-on-year growth % has been calculated for all indicators. The heatmap translates the data range for each indicator into a colour gradient scheme with red denoting the lowest values and green corresponding to the highest values of the respective data series. Society of Indian Automobile Manufacturers (SIAM), Office of Economic Adviser, Government of India, Joint Plant Committee, Directorate General of Commercial Intelligence & Statistics and Tractor and Mechanisation Association.

In August 2025, the all-India unemployment rate declined to 5.1%, underpinned by a sharp decline in urban unemployment. Labour force participation rate and worker population ratio increased during the month, driven by gains across rural and urban areas.

High Frequency Indicators: Employment

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
Naukri JobSpeak Index	-3.4	6.0	10.0	2.0	8.7	3.9	4.0	-1.5	8.9	0.3	10.5	6.8	3.4
PMI employment: Manufacturing	53.5	52.1	53.3	52.9	53.4	54.8	54.5	53.4	54.2	54.9	55.1	53.3	53.1
PMI employment: Services	53.1	53.4	54.3	56.6	55.5	56.3	56.2	52.5	53.9	57.1	55.1	51.4	52.2

<<<<<<Contraction---Expansion>>>>>>

Source: Reserve Bank of India Bulletin, September 2025. Year-on-year growth % has been calculated for all indicators. All PMI values are reported in index form. A PMI value >50 denotes expansion. <50 denotes contraction and =50 denotes 'no change'. In the PMI heatmaps, yellow denotes 50 (or the no change value) and green denotes the highest value in each of the PMI series. PMI: Purchasing Managers' Index. Ministry of Statistics and Program Implementation (MoSPI), Government of India, Info Edge, S&P Global.

Other Key Developments

Bank of England holds the key interest rate: The Bank of England decided to keep the key interest rates unchanged at 4%, which remains at its lowest level since February 2023. The economy continues to grapple with a stubbornly high inflation level, slowing wage growth and flat real Gross Domestic Product growth in recent months. In August 2025, the inflation rate stood at 3.8%, which is almost double its target of 2%. (Source: Bank of England).

India's WPI inflation rises: In August 2025, India's wholesale price index (WPI)-based inflation rose to a four-month high of 0.52%, on the back of an increase in prices of food products, other manufacturing, non-food articles, other non-metallic mineral products and other transport equipment etc. (Source: Ministry of Commerce & Industry, WPI data is provisional).

India's renewable energy capacity reaches 250 GW: India has achieved 250 GW of non-fossil fuel electricity generation capacity, marking a historic milestone in its shift towards a sustainable energy future. India aims to have 500 GW of renewable energy capacity by 2030, which would include a blend of renewable energy sources, such as Solar power and wind energy, hydropower, biomass energy and nuclear power (Source: Ministry of New and Renewable Energy, GW: Gigawatt).

A move to strengthen food management: In September 2025, the Department of Food and Public Distribution (DFPD) and the Food Corporation of India (FCI) signed a Memorandum of Understanding for the Financial Year 2025-26. The agreement emphasizes reducing storage losses, improving the utilization of warehousing capacity, enhancing logistics and supply chain performance and strengthening quality control (Ministry of Consumer Affairs, Food & Public Distribution).

A Comprehensive 4-Pillar Approach to strengthen Shipbuilding, Maritime Financing and Domestic Capacity: In September 2025, the Indian government approved a comprehensive package of ₹69,725 crore to revitalize India's shipbuilding and maritime ecosystem. The package introduces a four-pillar approach designed to strengthen domestic capacity, enhance technical capabilities, improve long-term financing, promote greenfield and brownfield shipyard development to create robust maritime infrastructure (Source: Cabinet Press Release).

The Trade Tariff Threat: The U.S. plans to impose sweeping import tariffs, including 100% duties on patented drugs and 25% levies on heavy-duty trucks, starting October 2025. The tariff threat poses a slew of challenges for businesses already struggling with rising costs and disrupted supply chains (Source: Reuters. U.S.: United States).

And it is a wrap for the month

Geopolitical tensions, painful trade frictions and global economic uncertainties have engulfed the market, keeping investors at the edge. Demand for relatively stable assets propelled gold prices to a record high. During the month, the U.S. Federal Reserve reduced the benchmark interest rate, prioritizing a slowing labour market over inflation.

India's domestic growth drivers continue to display resilience. Healthy corporate balance sheets and the focus on structural reforms by the government are the bright spots of the economy. Higher Kharif sowing would contribute to sustained growth momentum in the agriculture sector, while also keeping food prices under check. The Goods and Services Tax (GST) reforms should support the trajectory of lower retail prices and boost domestic consumption. Market participants now await developments on the Free Trade Agreement between India and the European Free Trade Association (EFTA) countries – Iceland, Liechtenstein, Norway and Switzerland, which is likely to come into effect in October 2025.

PICTURE OF THE MONTH

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