MARKET insight EQUITY

UTI Mutual Fund

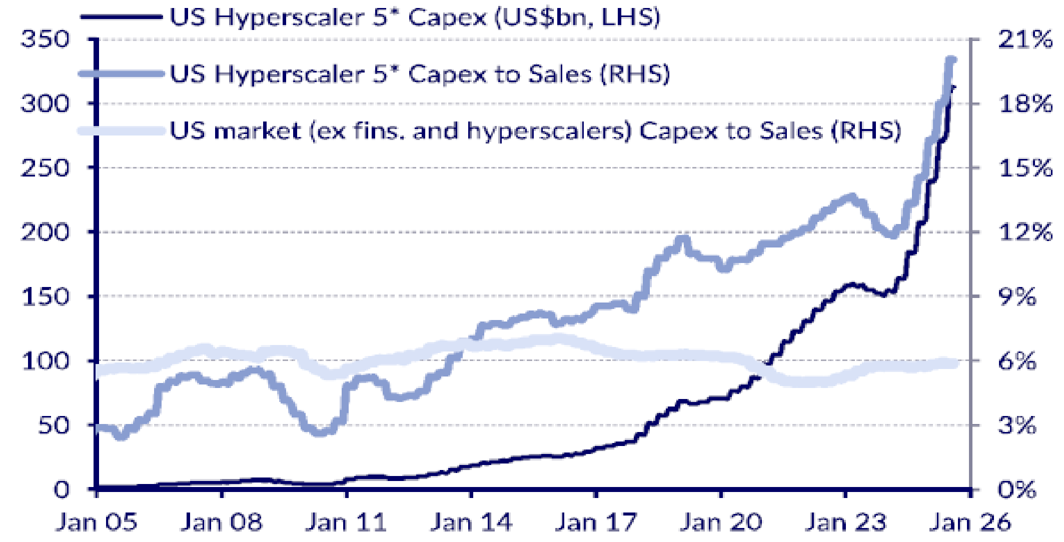
Market Insight – Equity

An overview on Equity Markets

October 2025

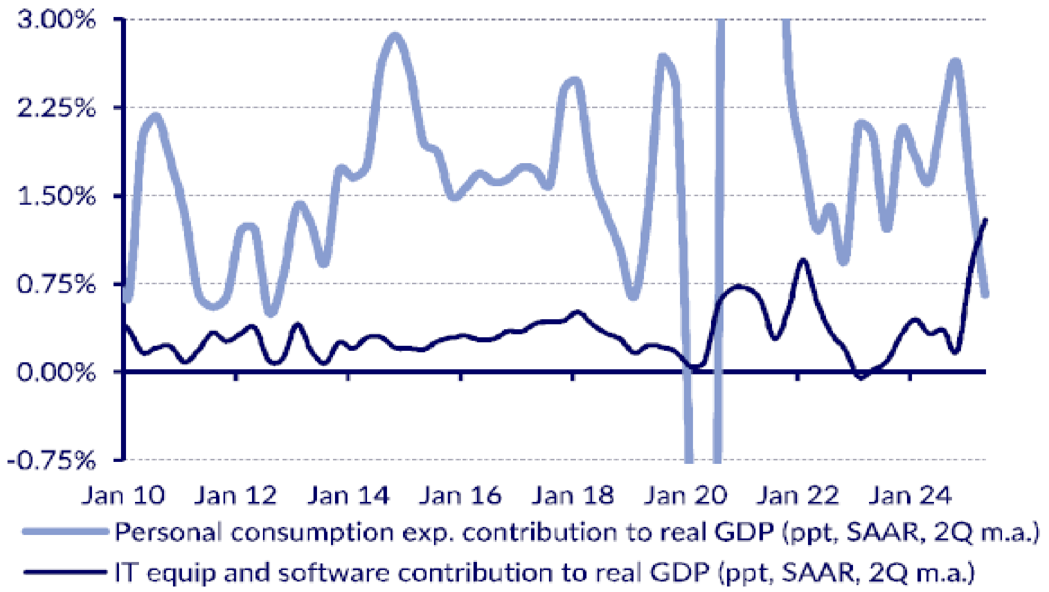
AI driven growth

Hyperscalers capex surging rapidly



*Hyperscalers: Amazon, Microsoft, Alphabet, Meta, Oracle

AI > consumption in growth contribution



- US Hyperscalers account for ~25% of total US capex over the past year, with capex-to-sales at ~20% vs 6% for the broader market
- High investment spending has supported GDP growth even as consumption softens
- Top 10 S&P 500 stocks (~40% index weight), which includes most of these hyperscalers, now drive most earnings growth, though cash flows face strain from elevated capex

 Source: CLSA

De-dollarisation

Central banks diversifying away from dollar

- US fiscal deficit continues to rise steadily (even excluding the Covid period), adding to the government's debt and interest burden
- Meanwhile, central banks are diversifying forex reserves, reducing USD share (~63% → ~57%) over the past 7 years, with greater allocation to gold and other currencies

 Source: JP Morgan Research

Rupee depreciation a solution for foreign flows?

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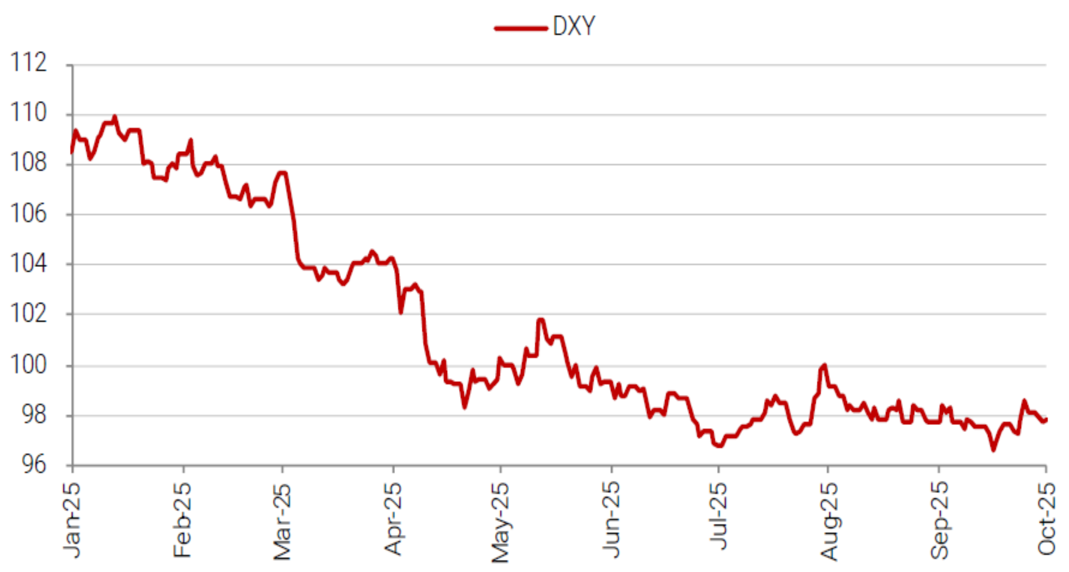
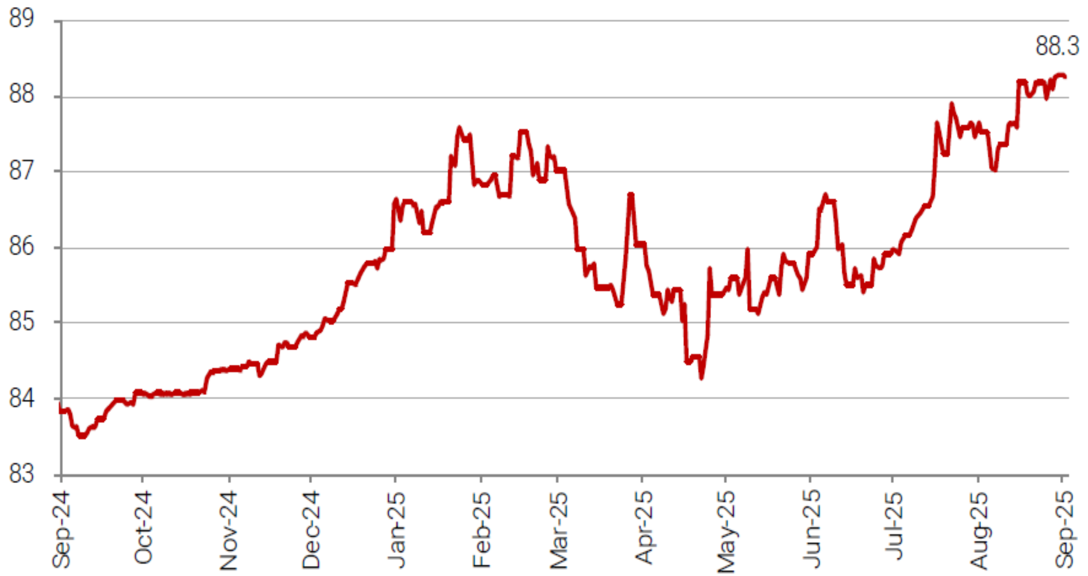
US dollar has corrected



While INR has depreciated against US dollar

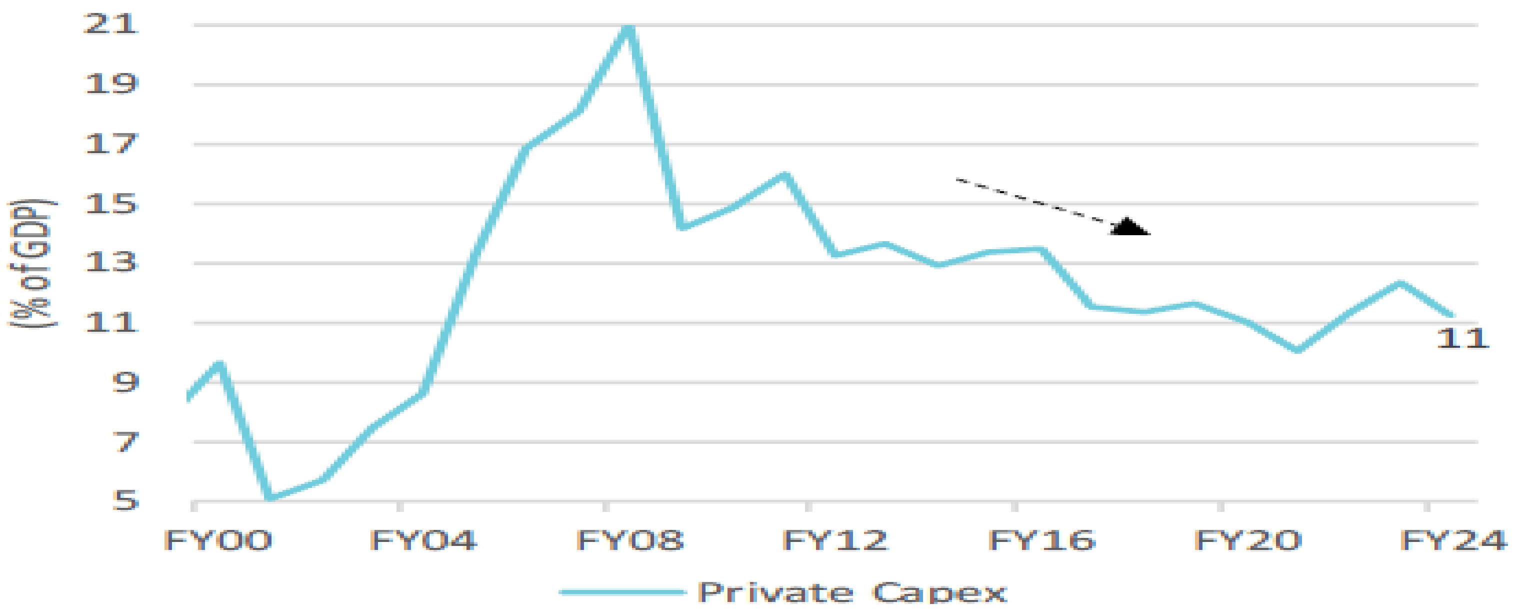


- USD has depreciated ~10% against major currencies like EUR, GBP, and JPY
- While INR, which was among the stronger EM currencies till last year, has weakened against the USD
- For global investors, Indian markets are now better placed after currency, time, and price corrections

Source: Kotak Research

Private capex is lower than previous cycle

Private Sector GCF % of GDP



- Government capex has stayed strong, while private corporate investments remain muted despite better profitability and cash flows
- GST rate cuts may boost consumption in near term, while broader capex recovery hinges on capacity utilization and policy support

Source: Nuvama Research. GCF – Gross Capital Formation

Economic Indicators

Economic Indicators and Forecasts

Indicator	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26F	FY27F
Economic Activity												
Real GDP (YoY%)	8.0	8.3	6.8	6.5	3.9	-5.8	9.7	7.6	9.2	**6.5**	**6.5**	**6.5**
Gross Fixed Investment (YoY%)	6.5	8.5	7.8	11.2	1.1	-7.1	17.5	8.4	8.8	**7.1**	**7.0**	**7.1**
Industrial Production (YoY%)	3.3	4.6	4.4	3.8	-0.8	-8.4	11.4	5.2	6.0	**4.1**	**4.2**	**4.9**
Price Indices												
CPI (YoY%)	4.9	4.5	3.6	3.4	4.8	6.2	5.5	6.7	5.4	**4.6**	**2.7**	**4.3**
WPI (YoY%)	-3.7	1.7	2.9	4.3	1.7	1.3	13.0	9.4	-0.7	**2.3**	**0.8**	**3.3**
External Balance												
Current Account (% of GDP)	-1.1	-0.7	-1.8	-2.1	-0.9	0.9	-1.2	-2.0	-0.7	**-0.6**	**-1.0**	**-1.2**
Fiscal Balance												
Fiscal Deficit (% of GDP)	-3.9	-3.5	-3.5	-3.4	-4.6	-9.2	-6.7	-6.4	-5.5	**-4.8**	**-4.5**	**-4.4**
Interest Rates												
Central Bank Rate (%)	6.8	6.3	6.0	6.3	4.4	4.0	4.0	6.5	6.5	**6.0**	**5.3**	**5.4**
10-Year Note (%)	7.5	6.7	7.4	7.4	6.1	6.2	6.8	7.3	7.1	**6.6**	**6.3**	**6.8**
Exchange Rates												
USDINR	66.2	64.9	65.2	69.1	75.5	73.1	75.8	82.2	83.4	**85.5**	**87.5**	**89.0**

Source: Phillip Capital, Bloomberg forecasts as of 3/Oct/2025. Interest rates and exchange rates are as of end of Financial year.

High Frequency Indicators

		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
Fiscal	Gross tax collection (YoY %)	-15.8	11.9	1.6	10.0	11.1	4.6	19.7	2.8	6.5	19.1	-4.7	-11.7	1.1
Foreign Trade	Export (USD bn)	34.6	34.3	39.0	32.0	37.8	36.3	36.8	42.0	38.5	38.7	35.1	37.2	35.1
	Import (USD bn)	64.3	54.0	63.1	63.9	58.5	59.4	51.0	63.5	64.9	60.6	53.9	64.6	61.6
	Capital flows (USD bn)	13.9	16.0	-5.1	-1.5	12.6	-0.6	-2.2	16.0	5.1	5.6	10.4	6.9	2.9*
	Forex Reserves (USD bn)	684	705	685	658	640	631	639	665	688	691	703	698	695
Industry	IIP (Index)	145.7	146.9	150.2	148.1	158	161.6	151.1	166.3	151.8	157.6	153.3	156.2	151.7
	Composite PMI (Index)	60.7	58.3	59.1	58.6	59.2	57.7	58.8	59.5	59.7	59.3	61	61.1	63.2
	Cement Production (Index)	176.5	178.8	187.2	177.0	211.7	219.7	215.1	246.2	204.5	209.0	214.7	194.8	188.3
	Steel Production (Index)	206.1	202.0	212.9	212.9	221.8	228.1	216.8	238.9	219.2	225.3	223.8	239.1	235.9
Banking	M3 (YoY, %)	10.2	10.8	11.5	11.4	9.6	9.9	9.9	9.8	9.4	9.3	9.5	9.6	10.1
	Bank Credit (YoY, %)	13.6	13.0	11.5	12.1	11.2	11.4	11.0	11.0	10.3	9.0	9.5	10.0	10.0
	Deposits (YoY, %)	10.8	11.5	11.7	12.0	9.8	10.3	10.3	10.3	10.2	9.9	10.1	10.2	10.2
	Median MCLR (%)	8.9	9.0	9.0	9.0	9.0	9.0	9.1	9.0	9.0	9.0	8.9	8.8	8.6
	CP Issuance (INR bn)	4711	3976	4451	4451	4358	4565	4659	4429	5456	5539	5000	5472	5340
	LAF (INR bn, Daily Average)	1509	1009	1500	1386	-685	-2036	-1666	-1275	1398	1711	2738	3043	2837
Consumer	Automobile Sales ('000)	2065	2383	2558	1952	1420	1926	1762	2038	1808	2001	1873	1908	2156
	Fuel Consumption (YoY %)	-3.1	-4.4	4.1	10.6	3.1	2.2	-3.1	-0.9	0.2	0.7	0.5	-3.9	2.6
	Air Traffic (YoY %)	5.7	6.4	8.1	11.9	8.2	11.3	11.1	8.8	8.5	1.9	3.0	-2.9	-1.4
Infrastructure	Electricity production (YoY %)	-3.7	0.5	2.0	4.4	6.2	2.3	3.6	7.5	1.7	-4.7	-1.2	3.7	3.1
	Port volume (YoY, %)	6.7	5.9	-3.4	-5.0	4.0	6.1	6.9	13.3	7.0	4.3	5.6	4.0	2.5
	Rail Freight (YoY, %)	0.0	-5.8	1.5	1.2	2.2	4.4	-0.4	3.8	4.5	5.6	3.4	1.8	5.5

Source: RBI, CSO, PPAC, SIAM, Various Ministries, Bloomberg *Phillip Capital estimates

Equity Markets & Valuation

Domestic Sectors Performance

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Broad Market Indices

	1 Month	3 Months	1 Year
Nifty 50	0.8%	-3.6%	-4.6%
Nifty Next 50	3.2%	-1.7%	-12.0%
Nifty 100	1.2%	-3.2%	-5.9%
Nifty Midcap 100	1.4%	-5.4%	-6.0%
Nifty Smallcap 100	1.9%	-7.9%	-8.4%
Nifty 500	1.2%	-3.7%	-6.2%

Sectoral/ Thematic Indices

	1 Month	3 Months	1 Year
PSU Bank	11.4%	4.5%	11.4%
Financial Services	1.8%	-4.2%	6.3%
Bank	1.8%	-4.7%	3.1%
Private Bank	1.6%	-6.3%	-0.1%
Metal	9.6%	5.3%	-1.6%
Auto	6.3%	11.2%	-1.8%
Services Sector	0.3%	-5.6%	-3.5%
Infrastructure	1.5%	-4.3%	-5.9%
Consumption	0.0%	1.9%	-6.0%
Pharma	-1.6%	-2.7%	-7.8%
MNC	1.7%	3.1%	-8.4%
FMCG	-2.5%	-0.3%	-16.5%
IT	-4.3%	-13.6%	-19.8%
Energy	4.0%	-4.3%	-20.5%
Realty	-0.4%	-12.1%	-21.1%
Media	-4.3%	-12.1%	-27.8%

Source : Bloomberg. Data as of 30/Sep/2025. Absolute returns for the Nifty PRI of the respective sector

Global Markets Performance

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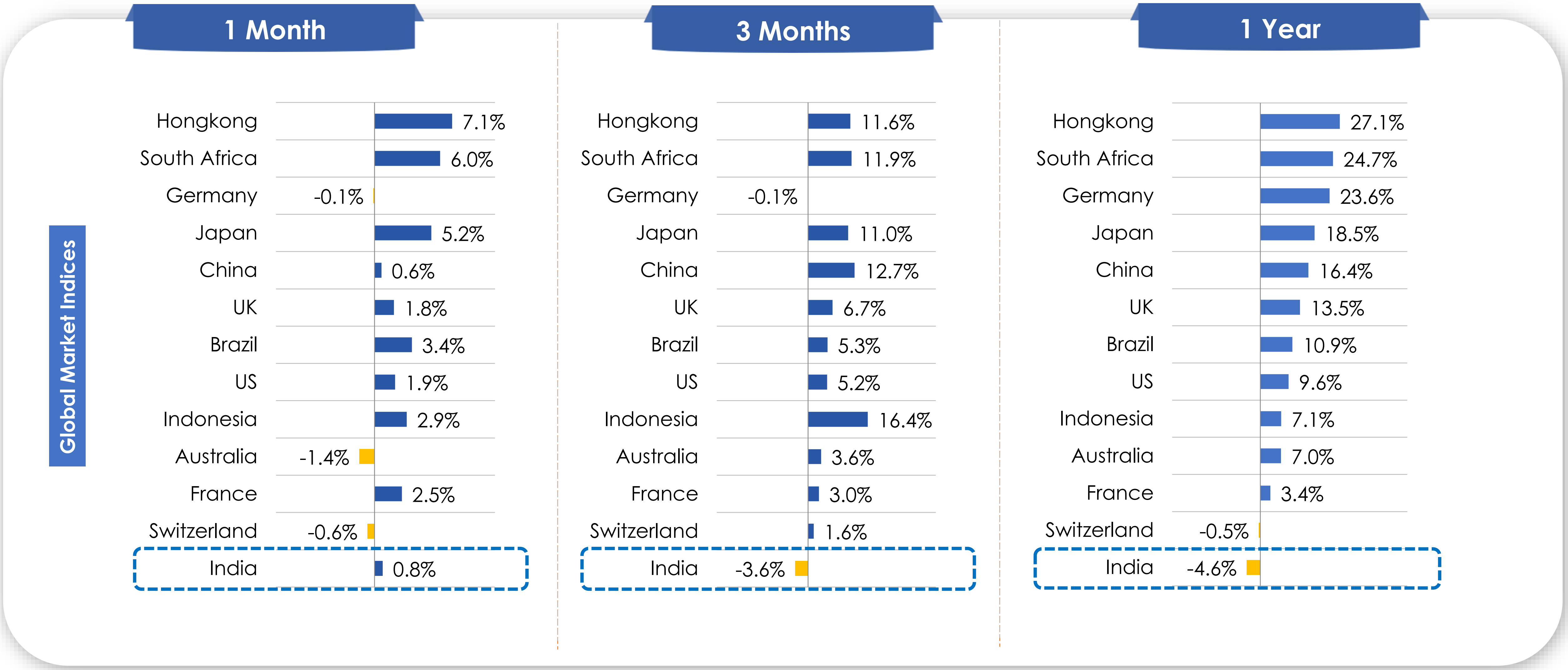

Returns are in absolute (point-to-point). Index representation: Brazil - Brazil Ibovespa Index; France - Cac 40 Index; Germany - Dax Index; US - Dow Jones Indus. Avg; UK - FTSE 100 Index; South Africa - FTSE/JSE Africa All Share; Hongkong - Hang Seng Index; Indonesia - Jakarta Composite Index; India - Nifty 50; Japan - Nikkei 225; Australia - S&P/ASX 200 Index; China - Shanghai Se Composite; Switzerland - Swiss Market Index.
Source: Bloomberg. Data as of 30/Sep/2025

India: A structural growth story

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Sl. No.	Country	Average GDP Growth		Equity Returns in USD (Aug'00-Aug'25)	Reference Equity Index
		25 years 2000-24	Projected for 2025-27		
1	**India**	**6.8**	**6.4**	**1,553.2**	**Nifty 500**
2	Indonesia	4.9	4.9	1,535.0	JSX
3	Australia	2.7	2.1	1,108.3	ASX 100
4	USA	2.2	1.7	578.7	S&P 500
5	Saudi Arabia	3.5	3.9	701.1	Tadawul
6	Singapore	4.8	2.2	411.8	STI
7	Mexico	1.9	1.3	593.9	Mexico IPC
8	Vietnam	6.3	6.5	1,199.3	VSE
9	Germany	1.1	1.0	337.5	DAX 40
10	Chile	3.4	2.3	361.1	SSE
11	China	8.2	4.3	266.3	SHCOMP
12	France	1.3	0.9	228.5	CAC 40
13	Brazil	2.4	1.9	173.5	BOVESPA
14	Japan	0.6	0.9	168.4	NKY 225
15	United Kingdom	1.7	1.3	208.0	FTSE 100

Source: Bloomberg, Data as of 31/Aug/2025

Reforms: Benefits to households

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Benefits from income tax changes

Estimated benefit for fiscal year ending 2026

	FY2026
Estimated number of tax payers (million)	18.0
Average benefit per tax payer (₹ lakhs)	0.55
Overall benefits to tax payers (₹ '000 crores)	**97.1**

Source: Income tax department, Union budget, Kotak Institutional Equities estimates

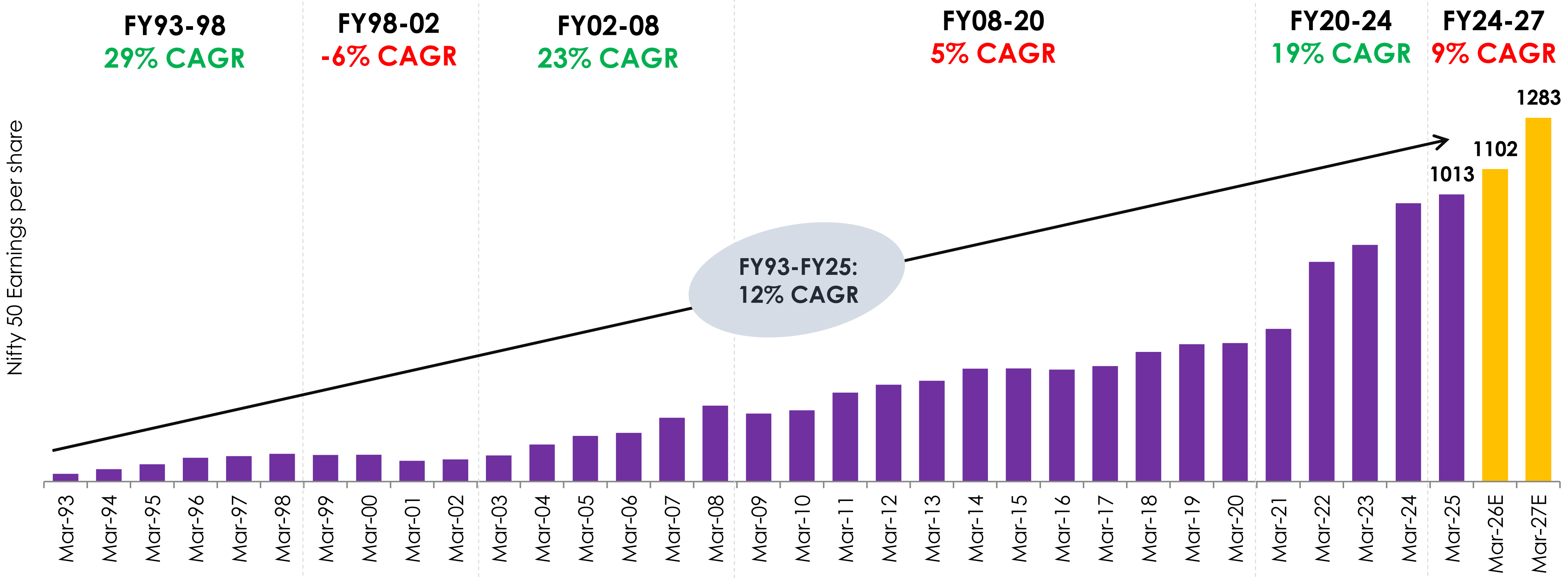
Benefits from GST rationalization

Estimated benefit for fiscal year ending 2027

	FY2027
Benefit from GST rate changes (₹ '000 crores)	48.0
Compensation cess elimination (₹ '000 crores)	141.4
Total benefit for households (₹ '000 crores)	**189.4**

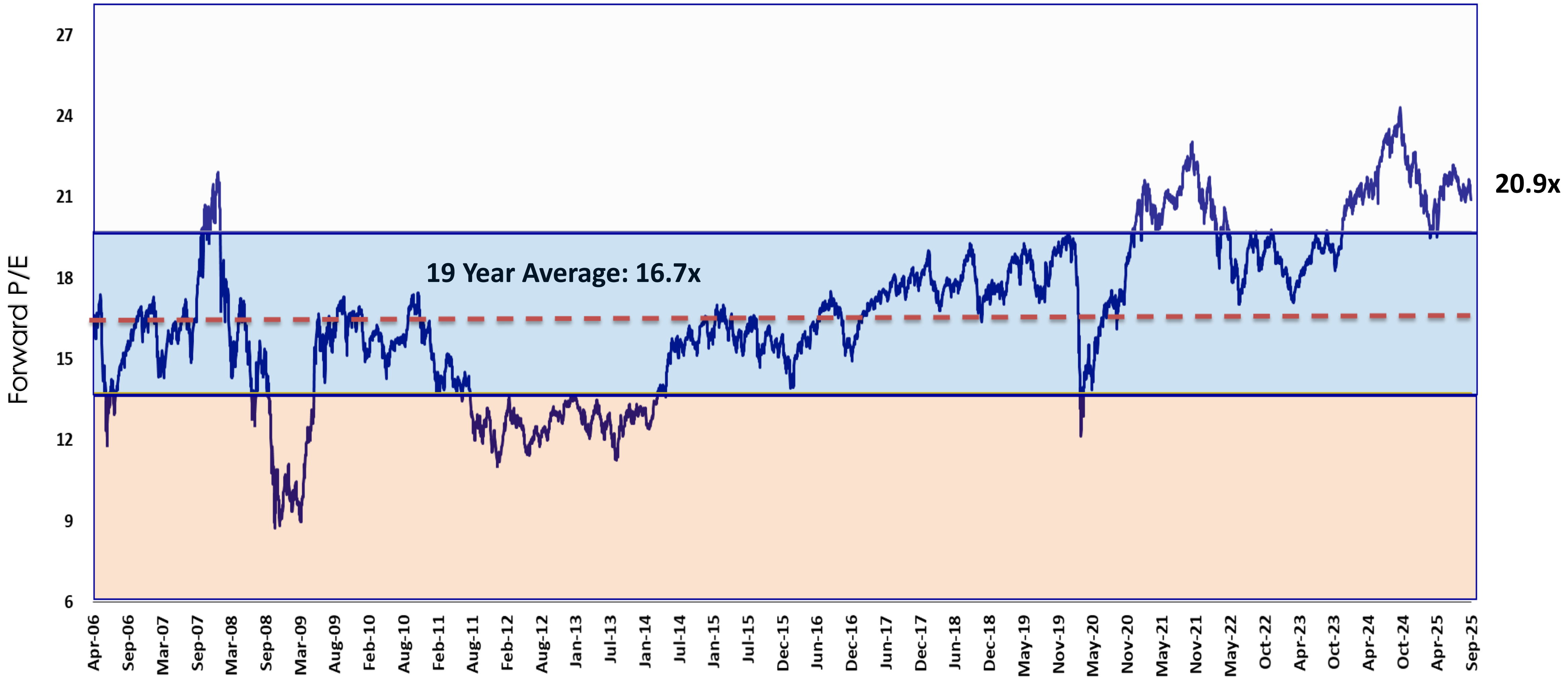
Source: Ministry of Finance, media reports, Kotak Institutional Equities estimates based on FY2024

Earnings Trend



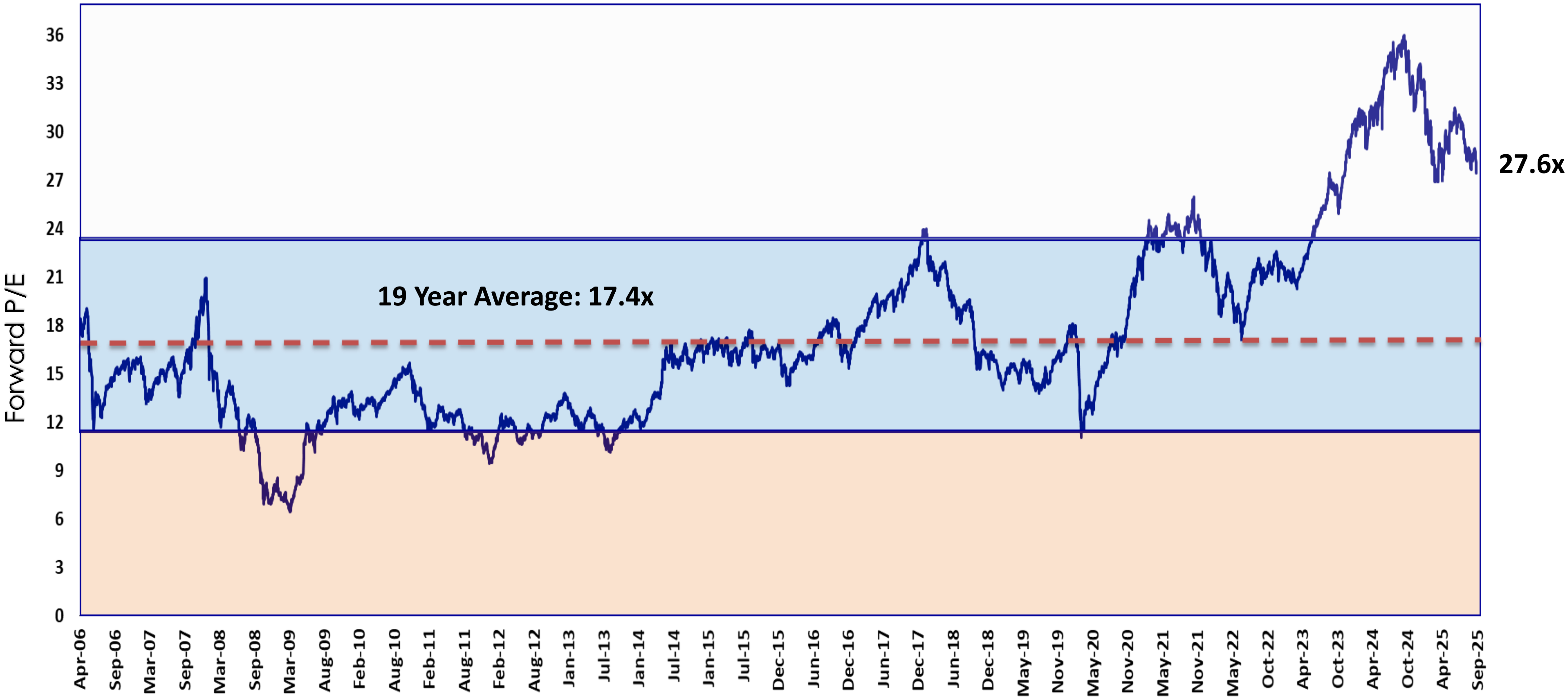
Source: Bloomberg, Bloomberg estimates for FY26 & FY27. Data as of 3/Oct/2025. Earnings numbers prior to 2003 are of BSE Sensex Index
EPS: Earnings Per Share. CAGR: Compound Annual Growth Rate

Valuation – BSE 100 Forward P/E (Rolling 1 year forward)



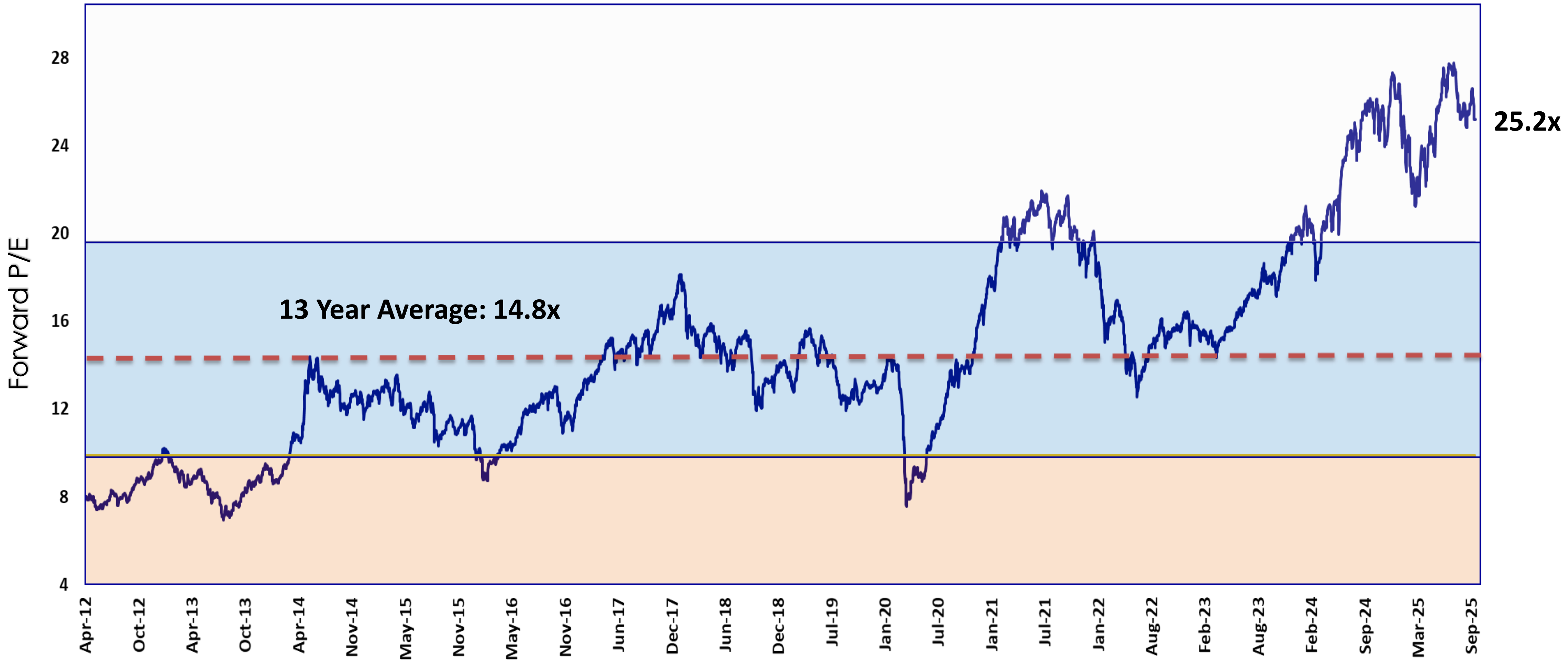
Source: Bloomberg. BSE 100 Index value as on 30/Sep/2025 has been used in computation.

Valuation – Nifty Midcap 100 Forward P/E (Rolling 1 year forward)



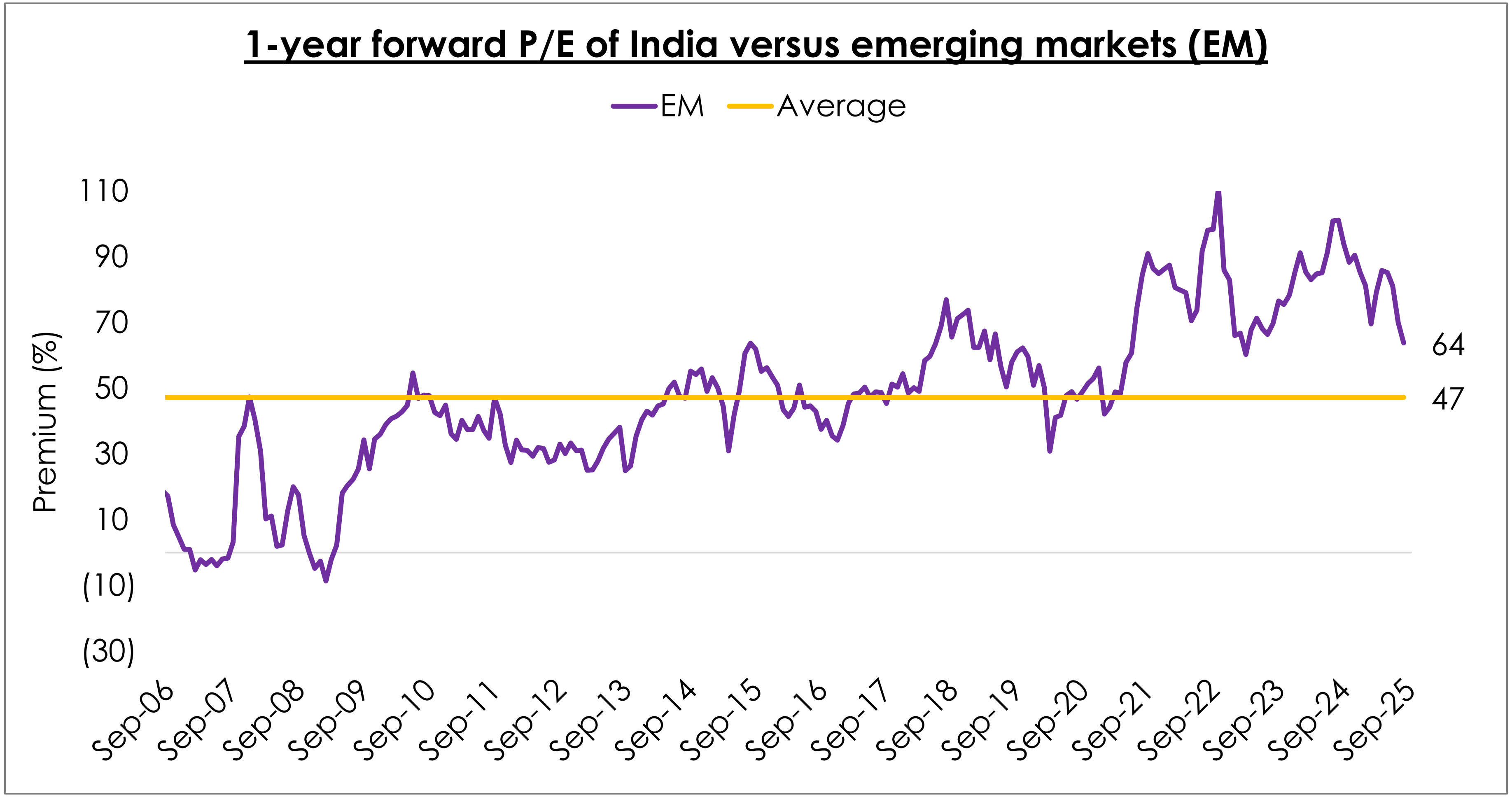
Source: Bloomberg. Nifty Midcap 100 Index value as on 30/Sep/2025 has been used in computation.

Valuation – Nifty Smallcap 100 Forward P/E (Rolling 1 year forward)



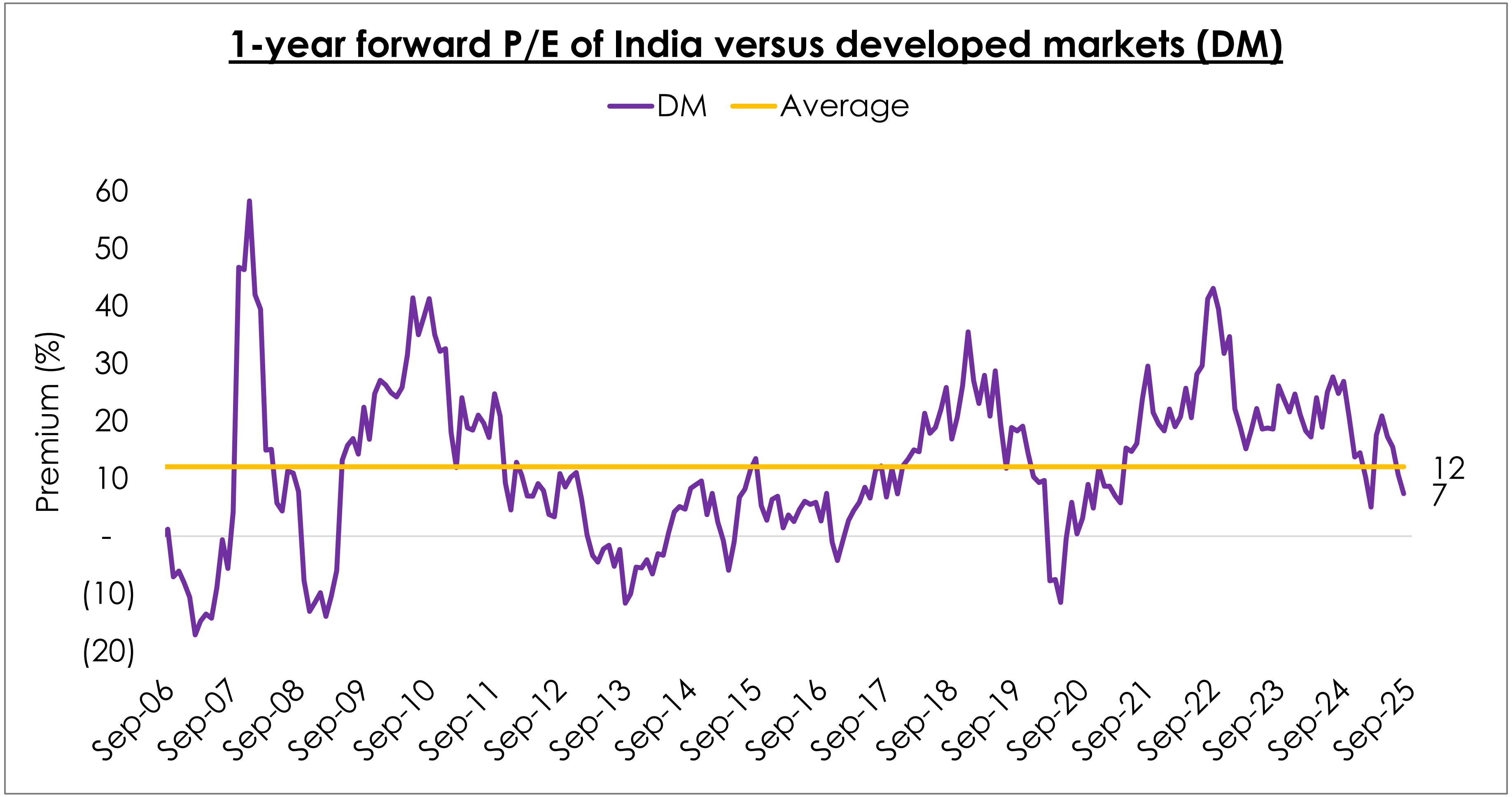
Source: Bloomberg. Nifty Smallcap 100 Index value as on 30/Sep/2025 has been used in computation.

India valuation continues to be stretched on relative basis



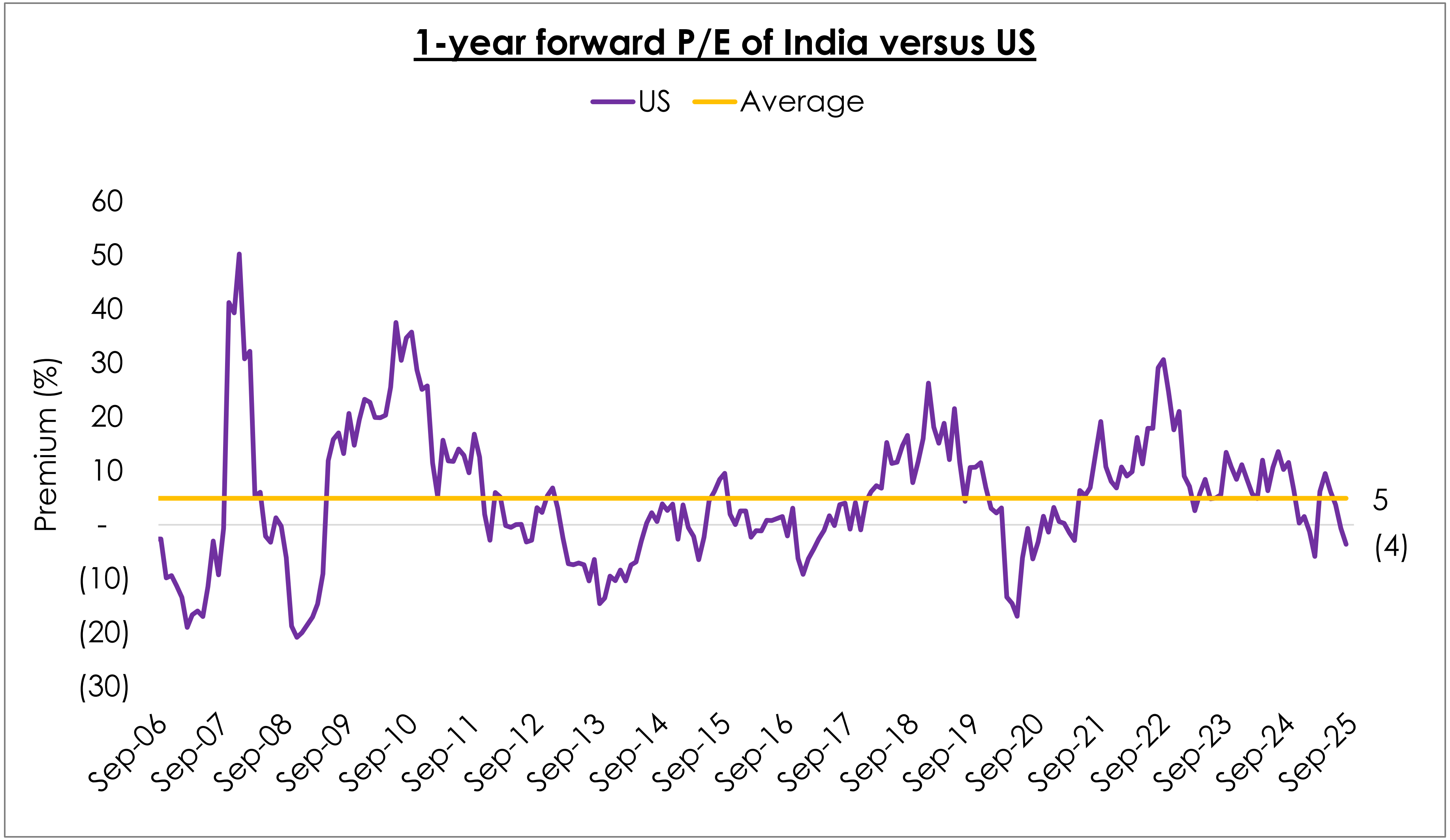
Index used: India – MSCI India; EM – MSCI EM. Source: Bloomberg. Kotak Research

India valuation is now better relatively as compared to DMs



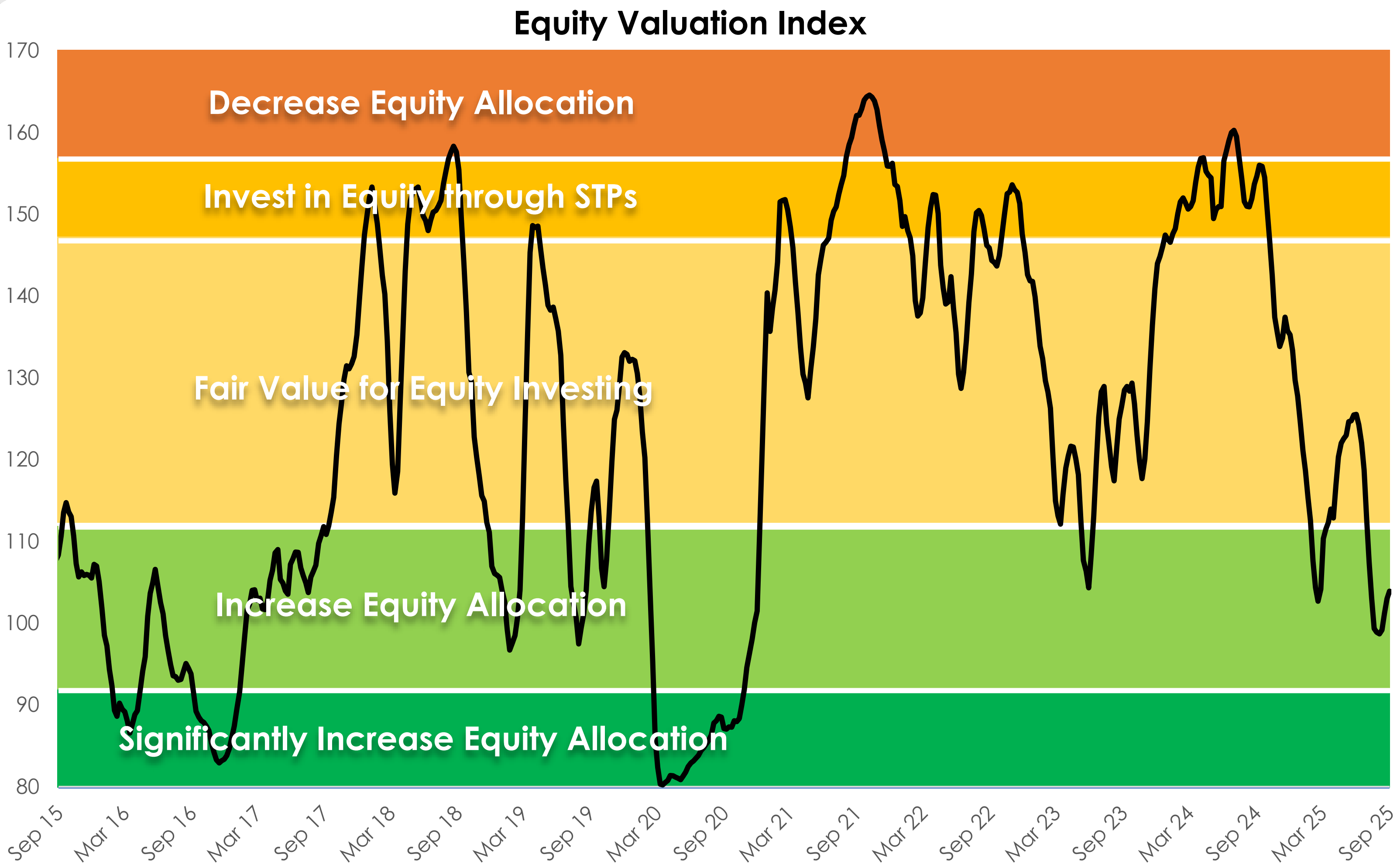
Index used: India – MSCI India; EM – MSCI DM. Source: Bloomberg. Kotak Research

India valuation is now better relatively as compared to the US



Index used: India – MSCI India; US – S&P 500. Source: Bloomberg. Kotak Research

Equity allocation framework for investors



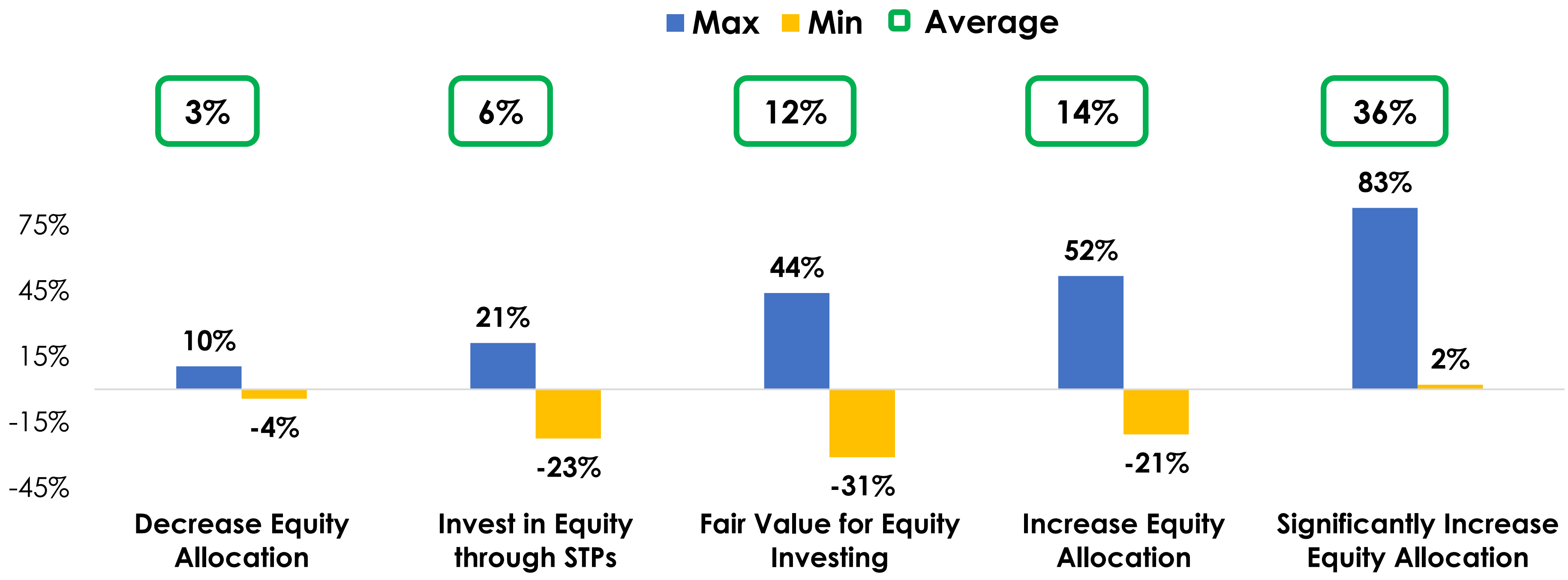
TAKEAWAYS

- Equity Valuation Index is a guidance for **lumpsum allocations into the equity schemes**
- Currently index is in "Increase equity allocation" zone, which suggests investors **can consider increasing their equity allocations in a staggered manner.**
- This valuation framework is generic, and investors should consult with their financial advisers for suitability relative to their financial goals

Data as of 30/Sep/2025. Equity Valuation Index is a composite mix of Price to Book (PB), 1-year Forward Price to Earnings (PE), Dividend Yield and Yield Gap. It is a proprietary model of UTI AMC Ltd. used for assessing equity market valuations. **This index is derived from analysis of the factors from 1/Jan/2012 onwards on a weekly frequency and does not guarantee the return outcome in future.**

Equity Valuation Index: Forward returns

1-year Forward Returns



No./ % of observations	28 / 4%	96 / 14%	241 / 37%	202 / 31	96 / 15%
% of instances (Negative Return)	29%	14%	20%	6%	0%
% of instances (Return >12%)	0%	18%	54%	57%	95%

Data as of 31/Aug/2025. Equity Valuation Index is a composite mix of Price to Book (PB), 1-year Forward Price to Earnings (PE), Dividend Yield and Yield Gap. It is a proprietary model of UTI AMC Ltd. used for assessing equity market valuations. **This index is derived from analysis of the factors from 1/Jan/2012 onwards on a weekly frequency and does not guarantee the return outcome in future.**

Key take away

- Markets awaiting a settlement of trade negotiation with US
- MPC left rates unchanged in current policy, room for data dependent rate cuts remain as inflation continues to be soft
- Initial reports suggest GST cuts have benefitted in festive sales; sustenance of same in subsequent quarters key monitorable
- 2QFY26 results expected to show similar single digit growth like last few quarters; however, likely acceleration going forward led by consumption pick-up
- RBI measures of rate cuts liquidity easing, lending deregulation to help credit growth accelerate from current ~10% levels
- The sharp gold rally could have a positive wealth-effect as gold ownership is widespread in the country
- Our in-house equity valuation index (based on Nifty-50 Index) has turned to "Increase equity allocation" recently
- Asset allocation and risk management should be the focus for investors in the current environment
- Hybrid Funds such Balanced Advantage, Multi Asset Allocation, Aggressive Hybrid Fund, Equity Savings Fund can be considered for lump-sum investments
- After 4 years of value style outperformance, trend reversal in favour of 'quality-growth style' over 'value' is now visible
- Investors should adopt a staggered approach towards equities – the bias is toward Large caps based on relative valuations

Source: Bloomberg, CSO, RBI, Motilal Oswal; LPA – Long Period Average

Disclaimer

REGISTERED OFFICE: UTI Tower, 'GN' Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400051. Phone: 022 6678 6666. UTI Asset Management Company Ltd (Investment Manager for UTI Mutual Fund) Email: invest@uti.co.in. (CIN-L65991MH2002PLC137867). For more information, please contact the nearest UTI Financial Centre or your AMFI/ NISM certified Mutual Fund Distributor (MFD) for a copy of the Statement of Additional Information, Scheme Information Document and Key Information Memorandum cum Application Form.

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