February 2026

FUND MANAGERS COMMUNICATION

Global Market:

During the month of January 2026: S&P 500 was up 1.4%, Nikkei up 5%, Nifty 50 was down -3.1%.

Domestic Market:

GST Collection: GST collection in January month was Rs. 1.93 Lakhs crore, marking a 6.2% year on year growth.

Auto numbers: India's automotive OEMs posted healthy volume prints for January 2026. It was primarily driven by sustained demand momentum led by GST rate cuts, which lowered the vehicle prices. Overall, there has been healthy growth across the segments in two wheelers, passenger vehicles and commercial vehicles.

PMI: The S&P Global HSBC Manufacturing PMI for India came at 56.8 in January & Services PMI at 59.3. (Manufacturing PMI data is an economic indicator that measures the activity level in the manufacturing sector. It is based on a survey of purchasing managers across manufacturing industries and provides insights into business conditions, including production, new orders, employment, supplier delivery times, and inventory levels).

Core sector activity improved with growth at 3.7% YoY in Dec'25 vs of 2.1% (revised) in the previous month. Majority of sectors observed YoY growth with highest being recorded in the Cement sector rising double digit for the second consecutive month by 13.5% as compared to 14.6% last month. The sector remained robust as it observed average growth rate of 9.7% in CY25.

IIP: India's IIP surprised positively in December 2025, accelerating to 7.8% YoY, the strongest print in over two years on broad-based momentum across manufacturing, mining and electricity, alongside a visible improvement in consumption indicators. With demand-side support from easing inflation, prior rate cuts and fiscal measures, the near-term outlook for industrial activity remains constructive.

Funds Flow: FII flows were negative in the month of January 2026 at Rs.31393 crores, DII flows remained healthy with positive inflows of Rs.36647 crores during the month.

Equity Market Outlook:

Budget Update: Over the last 4 years we have seen that expectations are high but budget has been a mostly non-event. Prior to budget itself government has proactively taken decision of streamlining GST slabs and incorporate higher sin tax. We have seen sentiment driven drop in market post budget as expectations were running high for boosting growth which was missing from direct speech of the finance minister. The government has maintained the policy continuity with fiscal deficit budgeted at ~4.3% of GDP, maintaining a credible glide path towards consolidation. Capex continues to rise at a strong 11.5% to Rs12.2trn, underscoring continued investment support within a disciplined fiscal framework. Infrastructure spending is increasingly directed towards productivity-enhancing assets i.e., logistics, freight corridors, urban transport, tourism and power T&D. Manufacturing policy has turned more strategic with semiconductors & electronics, specialty chemicals, rare earths and biopharma prioritised as long-term economic drivers.

Trade Deals: India and the U.S. entered a historic trade deal that marks a major turning point in bilateral relations. The U.S. has slashed the total tariff on most Indian goods from a peak of 50% down to 18%, effective immediately. This includes the removal of the 25% punitive duty that was previously linked to India's purchase of Russian oil, making Indian exports like textiles, leather, and seafood significantly more competitive than rivals like Vietnam and Bangladesh. This would be supportive for economy, equity markets and currency.

India has also concluded a landmark deal with European union, the deal has been characterized as mother of all deals. The EU is second largest economic bloc with a GDP of $19.5 Trillion. In long term it is positive for both, in addition to trade, it will help boost investments, create a growth-oriented ecosystem for various industries.

Q3FY26 Result is midway and so far, results for our portfolio companies are in line with expectations. in our PMS, select companies from wires & cables, consumer, liquor, select IT, defense, construction related have reported healthy growth and positive outlook form coming years. We have already witnessed improvement in Q3FY26 results season for selected companies & with improved outlook on profit growth for companies, Indian equity markets would see gradual recovery in coming quarters.

Any dip or corrections would provide good opportunity for Lum-sum as well as top up on existing investments with long term investment view. We remain constructive on Indian economy and Indian equities for long term.

Regards,
Mayur Shah
(Fund Manager-Anand Rathi Advisors Ltd.)

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