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## September Newsletter

Dear Readers,

Welcome to the September 2025, 6<sup>th</sup> Edition of the Fincour Financial Newsletter with **August 2025 Highlights-**

### **\*\*\*\*Breaking News\*\*\*\***

#### **GST Overhaul: Two-Slab System to Boost Consumption**

In a landmark move to simplify the tax structure and stimulate the economy, the GST Council has approved a major overhaul, reducing the tax slabs from four to a **new two-tier system of 5% and 18%**.

#### **Key Highlights:**

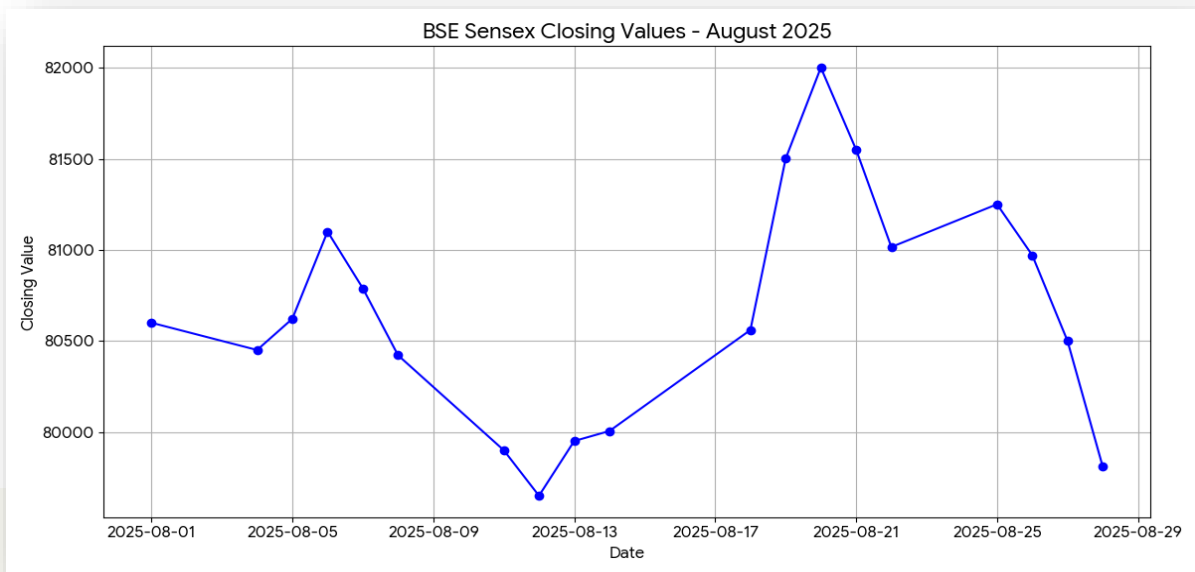
- **Cheaper Essentials:** The new rates, effective from September 22, will make a wide range of daily essentials and household goods more affordable.
- **Reduced Burden:** GST on individual health and life insurance premiums has been cut to zero, and the rate for small cars and two-wheelers has been reduced from 28% to 18%.
- **Targeted Taxation:** A special 40% slab will be levied on luxury and sin goods, such as tobacco and high-end cars.

This reform aims to boost consumer spending and simplify compliance for businesses, representing the most significant change to India's tax system since its implementation in 2017. **(Detailed Items with Reduced GST Rates Mentioned on Page 11)**





## Key Financial Developments in India

### Sensex Highlights

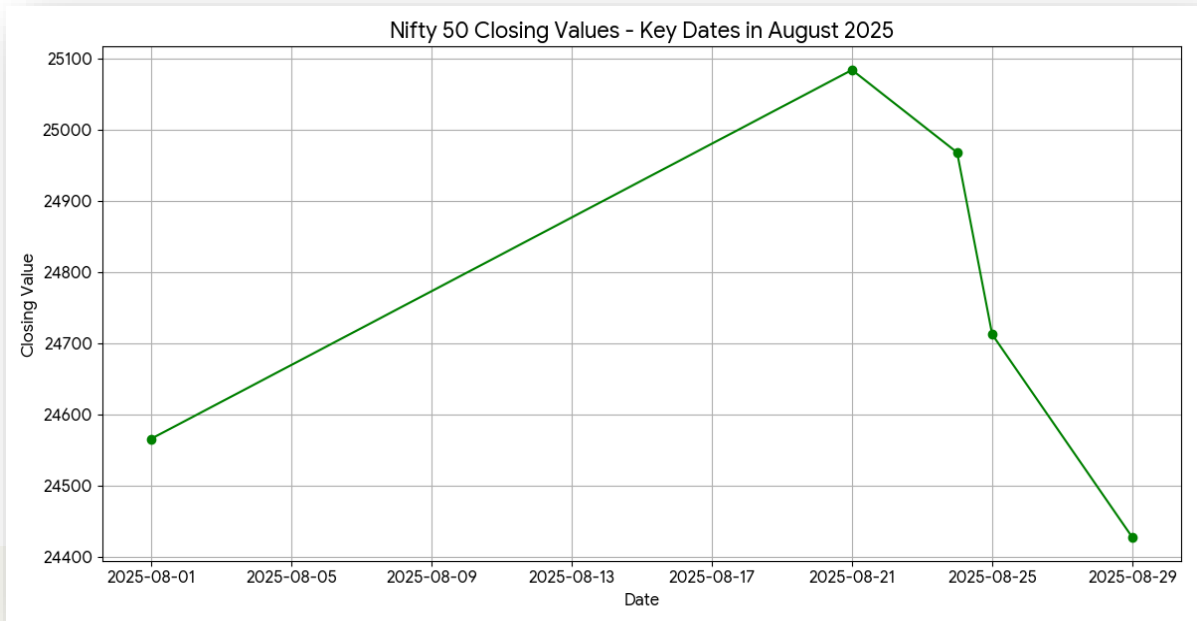


- **August 1 (start of month):** The Sensex closed at **80,599.91**, having dropped approximately **585.67 points (-0.72%)** from the previous session on August 1, 2025.
- **Peak in August:** The highest closing value I could verify for August 2025 was **82,000.71** on **August 20**.
- **Last trading day in August:** Since August 29 was the last trading day of the month (with August 30 & 31 falling on a weekend), the closing value was **79,809.65**.
- **Monthly Gain/Loss:** Comparing the closing values:  
Start: **80,599.91** (August 1)  
End: **79,809.65** (August 29)  
Change: **-790.26 points**



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## Nifty 50 Highlights



- **Start of Month:** The Nifty 50 opened August with a closing value of **24,565.35** on **August 1, 2025**, marking the index's level at the beginning of the month
- **Peak Value:** The highest value observed during August was **25,084.85** on **August 21, 2025**
- **Last Trading Day:** The closing on **August 29, 2025** (the last trading day of the month) was **24,426.85**
- **Monthly Gain/Loss:** Comparing the closing values:

Start: **24,565.35 (August 1)**

End: **24,426.85 (August 29)**

Change: **-138.50 points**



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## Key Drivers – August 2025

### ◆ Foreign Investor Outflows

- The Net FPI outflow for August was **₹46,902.92 crore**. The **selling** was indeed concentrated in **financial and IT stocks**, and was driven by factors such as a **stronger dollar, high domestic valuations**, and **concerns over U.S. tariffs**. FPIs shifted strategy due to **weaker bank margins, stress in consumer credit**, and **better valuations** in other markets.
- Overall FPI equity outflows reached **\$3.99 billion** in August—**\$2.4 billion** in the first half and **\$1.59 billion** in the second half—driven by restrictive U.S. tariffs and earnings concerns. Financial services and IT stocks were hit hardest, dragging broader indices lower.

### ◆ Policy Developments: GST 2.0 & Consumption Support

- New **GST reforms** rolled out in August significantly trimmed tax rates—on everything from cars and electronics to personal care—from multiple slabs down to **just 5% and 18%**. These measures are projected to boost consumption and lower inflation.
- The broader policy shift aims to stimulate domestic demand, particularly with cuts on essentials and making **insurance premiums tax-free**.

### ◆ Domestic Strength: GDP Surprise & Retail Resilience

- **Q1 FY26 GDP growth** surprised on the upside—clocking in at **7.8% YoY**, about **130 basis points** above expectations. The services sector led this rebound.
- Domestic investment also rose: DIIs injected nearly **₹95,000 crore**, helping offset FPI outflows (Nearly ₹47,000 crore), showing continued confidence from local investors.

### ◆ Valuation and Market Outlook

- The **Nifty 50 ended August with a P/E ratio of 21.5** and a **P/B ratio of 3.27**, both above long-term averages (19–20 and 2.8, respectively), suggesting a premium valuation driven by sustained demand and earnings expectations.



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## **Volatility Triggers – August 2025**

### **Escalating U.S. Tariffs & Trade Tensions**

The U.S. imposed a sweeping 50% tariff on Indian imports—initially 25%, then another 25%—triggering a sharp market reaction. On August 7, both Sensex and Nifty dropped to three-month lows. On August 26, a draft notice of additional tariffs caused markets to tumble again, with Sensex losing over 800 points and Nifty dipping below 24,720. Overall, investor sentiment was heavily impacted by the deteriorating trade backdrop.

### **Foreign Fund Outflows Intensify**

FII pulled out approximately ₹34,993 crore from Indian equities in August—the steepest outflow of the year—mainly from financials and IT. Reuters reported FPI equity outflows hit \$4 billion—also a seven-month high—driven by weak banking margins, earnings concerns, tariff-induced uncertainty, and better opportunities in other markets.



### **Currency Volatility – INR Under Pressure**

The Indian rupee slipped to record lows, closing near ₹88.19–₹88.31 per USD on August 29, driven by U.S. tariffs, FII outflows, and end-of-month dollar demand. Intraday fluctuations saw USD/INR trading in the ₹87–88 range, signalling persistent vulnerability.

### **Macro & Derivatives Market Shifts**

NSE shifted the Nifty 50 weekly derivatives expiry from Thursday to Tuesday as of August 28, altering volatility patterns and trader behaviour—particularly elevating Monday and Tuesday price swings. Accelerated derivative time decay (theta) dynamics and liquidity changes following the expiration shift added to market jitters.



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### **USD/INR (Currency) and Gold – August 2025:**

<b>Asset</b>	<b>Early August</b>	<b>Mid-August Peak</b>	<b>Late August</b>	<b>Monthly Change</b>
<b><u>USD/INR</u></b>	₹87.1668	₹88.1746 (August 30)	₹88.1721	+1.15 %
<b><u>24K Gold</u></b>	₹99,970 Per 10 g	₹1,04,900 Per 10 g (Aug 30)	₹1,05,100 per 10 g (Aug 31)	+5.13 %
<b><u>22K Gold</u></b>	₹91,650 Per 10 g	₹96,200 Per 10 g (Aug 30)	₹96.350 per 10 g (Aug 31)	+5.13 %

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## August 2025 Banking Highlights

### Key Regulatory & Policy Updates:

#### 1. Robust Q1 Profits for Public Sector Banks

- Public sector banks (PSBs) collectively posted a record **₹44,218 crore** in net profit for Q1 FY 26—an **11% year-over-year gain**, up from ₹39,974 crore in Q1 FY 25.

#### 2. PSBs Outperform Private Banks

- In August, the **Nifty PSU Bank index climbed 3.3%**, while the **Nifty Private Bank index fell 0.4%**, showcasing PSBs' stronger performance amid market volatility. Specific banks like **Indian Bank rose 8%**, while **Bank of India and SBI gained around 4%**.

#### 3. Policy Reform: Banking Laws Amendment Act Activated

- Key provisions of the **Banking Laws (Amendment) Act, 2025** came into effect on **August 1**, updating statutory frameworks across several core banking-related legislations, including the RBI Act and SARFAESI Act.

#### 4. RBI Holds Firm at 5.5%, NPA Situation Stable

- In its August policy review, the RBI maintained the **repo rate at 5.50%**, emphasizing a “dovish pause” amid easing inflation and global risks. RBI Governor Sanjay Malhotra reaffirmed the central bank's commitment to liquidity support and growth, noting that **net NPAs remain low at 0.5–0.6%**, and that the bank remains ready to support non-bank lenders if needed.

#### 5. Digital Innovation: Universal Banking for AU Small Finance

- The RBI granted **in-principal approval** on **August 7** for **AU Small Finance Bank** to become a **universal bank**, marking the first such license in 11 years and a major evolution for small finance banking.



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## 6. Technology Boost: Generative AI Adoption

- The RBI released a report indicating that **generative AI** could enhance **banking efficiency by nearly 46%**, helping automate operations, boost customer service, improve fraud detection, and streamline compliance.

## 7. Foreign Investment: SMBC Approved for Large Yes Bank Stake

- The RBI authorized **Sumitomo Mitsui Banking Corporation (SMBC)** to acquire up to **24.99% stake in Yes Bank**—one of the largest cross-border deals—without classifying SMBC as a promoter, reducing regulatory complexity.

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## **Keep Your Eyes on September**

### **Key Market Events & What Investors Should Watch**

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#### **1. Rupee on Record Low & RBI Forex Intervention**

- The Indian rupee slipped to a record low of **₹88.36/USD**, pressured by ongoing U.S. tariffs and sustained foreign portfolio outflows (\$1.4B just in September), pushing annual FPI pullouts past \$16B. The RBI intervened, selling dollars above **₹88.30** to stem the slide—well ahead of market expectations.

#### **2. RBI-Industry Consultation on U.S. Tariff Fallout**

- The RBI is convening meetings with industry stakeholders this month to assess the economic impact of the 50% tariffs on Indian exports. Insights gained will inform the next MPC stance.

#### **3. GST 2.0 Live – Impact on Insurance Sector (Effective Sept 22)**

- **GST 2.0** comes into force on **September 22**, simplifying tax slabs to 5%, 18%, and introducing 40% on luxury items. Life and health insurance premiums are now **tax-free**, putting companies like **HDFC Life** in sharp focus due to potential margin and pricing shifts.

#### **4. Urban Company IPO Preview (Opening Sept 10)**

- **Urban Company**, the tech-enabled home services firm, launches its IPO on **September 10**, aiming to raise ₹1,900 crore. Market watchers see this as a key domestic sentiment indicator.

#### **5. Banks Offer Relief Ahead of Festive Spending**

- **PNB** and **Bank of India** have each trimmed their MCLR by **5–15 basis points** effective September 1, easing borrowing costs in an upbeat consumption environment.



## 6. Fixed-Income and Rating Watch

- **Bank of Baroda** projects the 10-year G-Sec yield to remain in the **6.50–6.60%** range throughout September, anchored by RBI's steady policy stance and potential U.S. rate cuts.
- Meanwhile, the RBI is meeting bond market participants to discuss ₹6.8 lakh crore worth of second-half borrowing plans. Long-duration debt is under special scrutiny due to elevated yields.

## 7. Monetary Policy Framework in Review

- The RBI has released a discussion paper on its **inflation targeting framework**, seeking feedback by **September 18** as part of a mandated review ahead of 2026.

## 8. Markets Impacted by RBI Holiday Rescheduling



- A previously scheduled banking holiday on **September 5** has been moved to **September 8**, postponing all G-Sec, forex, money market, and rate derivative settlements to that day. Equity markets, however, will operate normally throughout.



### **Continued (Items with Reduced GST Rates): -**

- **From 28% to 18%:**
  - Air conditioners and televisions (above 32 inches)
  - Dishwashing machines
  - Small cars and two-wheelers (up to 350cc)
  - Cement
  - Refrigerators, washing machines, and projectors
- **From 18% to 5%:**
  - Hair oil, shampoo, and toothpaste
  - Bicycles, tableware, and kitchenware
  - Therapies at gyms, salons, barbers, and yoga studios
  - Medical oxygen and certain diagnostic kits
- **From 12% to 5%:**
  - Ghee, cheese, and pre-packaged snacks (Namkeen, Bhujia)
  - Agricultural machinery, including tractors and drip irrigation systems
  - Baby napkins, diapers, and feeding bottles
  - Footwear and textiles
- **From 18% or 12% to 0%:**
  - Individual health and life insurance premiums
  - Indian breads (chapati, roti, paratha)
  - UHT milk and paneer
  - Pencils, notebooks, and erasers



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