panorama

September 2025

Key Insights:

Private capex has rebounded since its FY21 trough but remains below FY11-12 in real terms

- Recovery in capex is not fully reflected in credit growth, as corporates increasingly rely on non-bank sources
- The number of projects has surged in the past two years, but the average size is far smaller than in FY11-12
- Power, metals, food products, hotels & restaurants, transport services, roads, and textiles driving capex

Net financial savings of Indian households improve for the second consecutive year in FY25

- However, net financial savings still remain below the ~7.5% of GDP average recorded during FY12-20
- Consumption credit is growing faster than other segments, yet it accounts for only 19% of total bank credit
- In FY25, HH participation in mutual funds & equities rose sharply, while the share of deposits in savings fell

GST 2.0 could provide a ~Rs 2 tn boost to consumption & push GDP growth higher by 40-50 bps

- Auto, Cement, Pharma, Insurance and Staples are key beneficiaries of the reduction in GST rates
- Inflation could be lower by one ppt with the complete pass-through of GST cuts to the end consumer
- However, monetary policy may look through GST 2.0's one-off, transitory impact on inflation

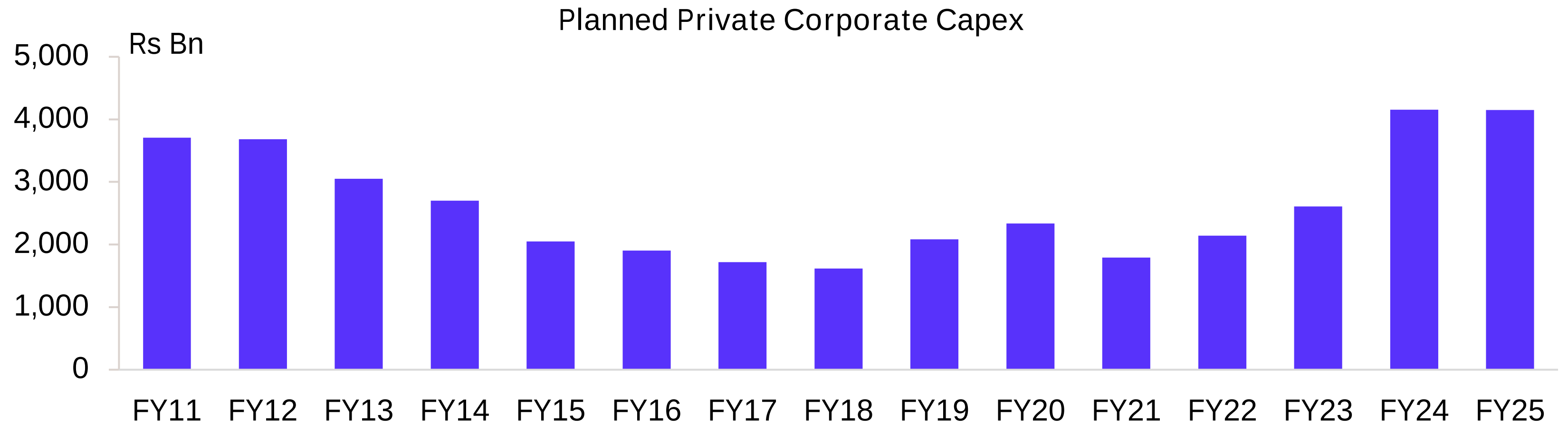
Monsoon is likely to end above normal, though regional disparities persist

- Northwest India faces a heavy surplus, while East and Northeast India witness rainfall deficiencies
- Heavy rains caused flooding across Northwest India, likely impacting crop yields and agri production
- Reservoir storage remain comfortable across regions, which bodes well for the upcoming Rabi season

Private Corporate Capex

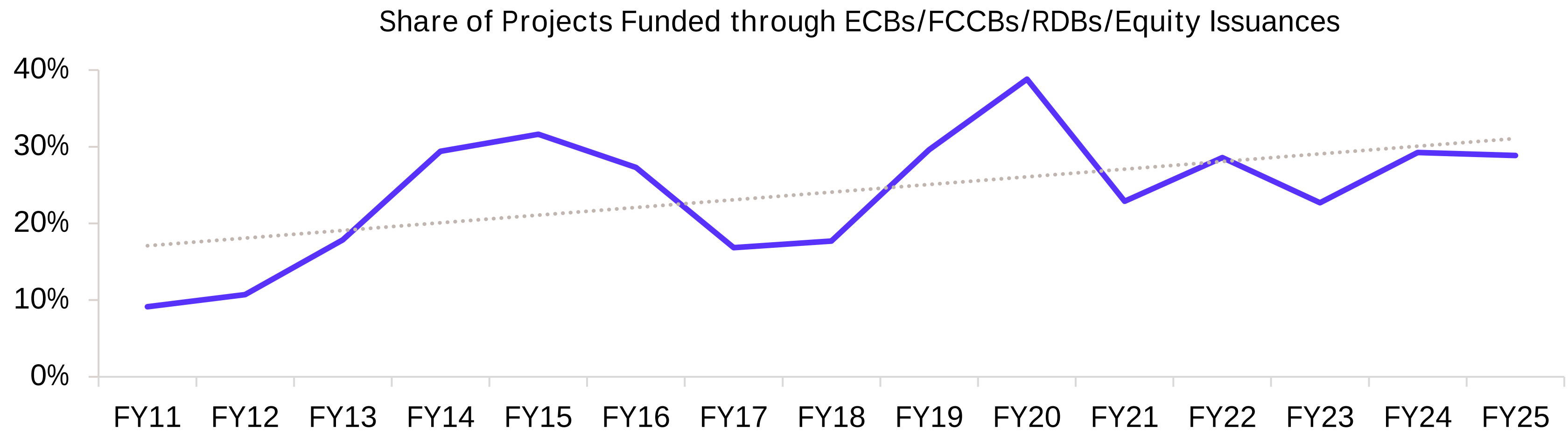
Private capex has picked up significantly from its trough in FY21

Corporates' reliance on non-bank sources has increased over the past 15 years



Private corporate capital expenditure* (capex) rose to Rs. 4.1 tn in FY24-25 from a low of Rs. 1.8 tn in FY21

This shows that private capex has picked up of late, despite the popular narrative that private investment activity remains subdued



However, the recovery in capex has not been fully reflected in bank credit growth, as corporates have increasingly relied on non-bank sources such as External Commercial Borrowings (ECBs), Foreign Currency Convertible Bonds (FCCBs), Rupee Denominated Bonds (RDBs), and equity issuances to fund investments

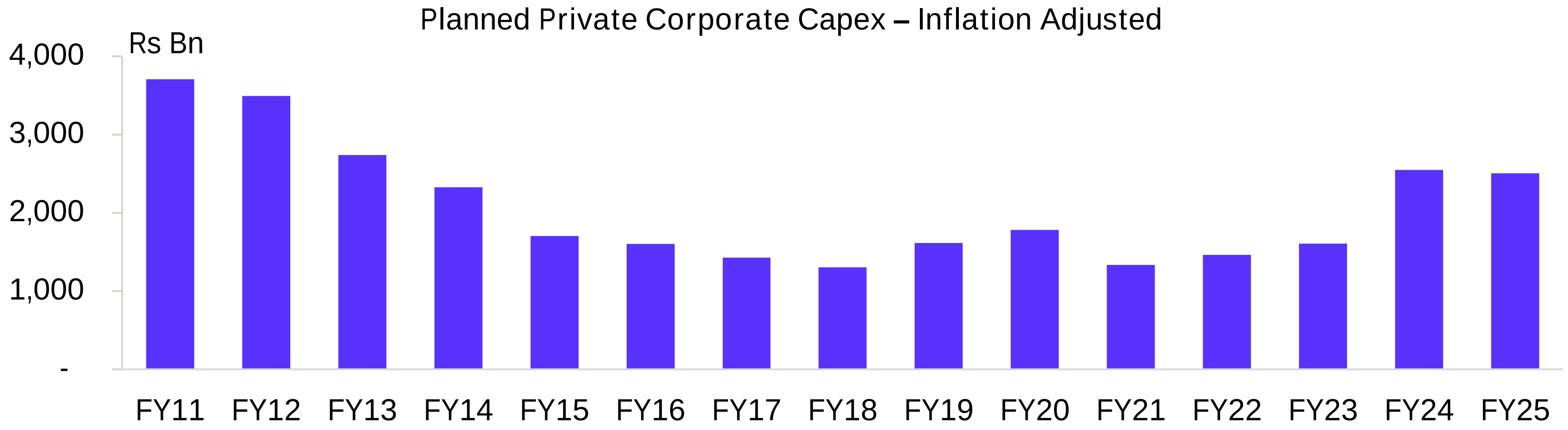
In addition, corporates have also utilised internal accruals to finance capex

Source: RBI, 360 ONE Asset Research

*Note: Analysis based on RBI's study of the phasing of capex projects sanctioned by Banks/Fis, funded through ECBs, FCCBs, RDBs and Equiy Issuances

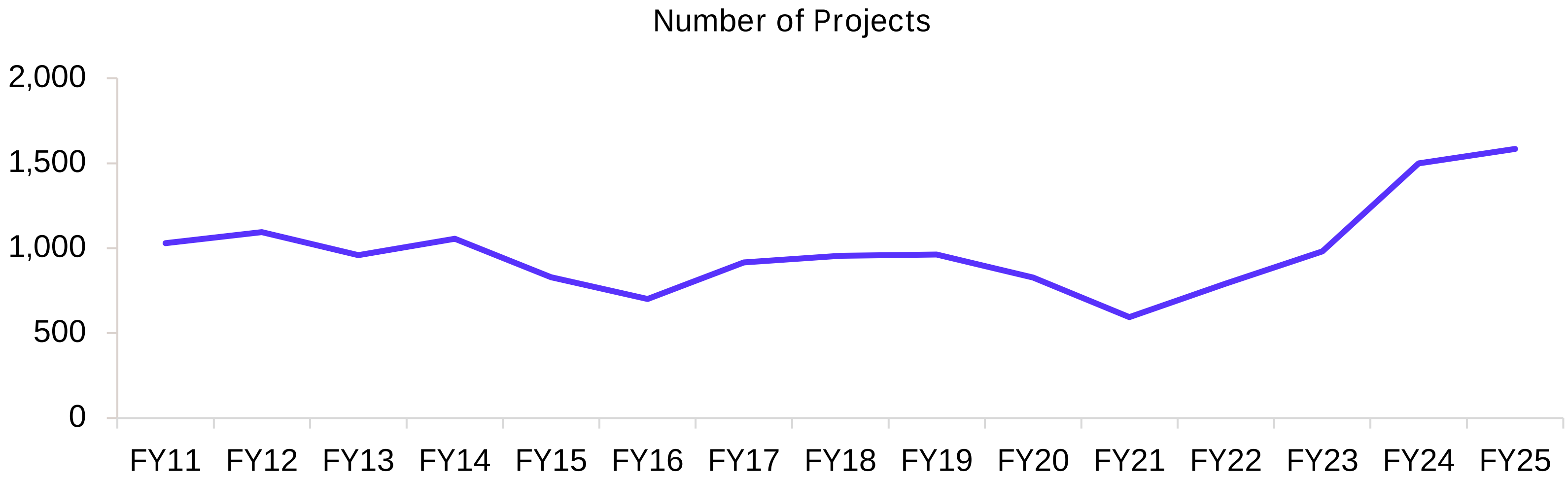
Adjusted for inflation, private capex is still lower than in FY11–12

Number of projects announced has picked up significantly, indicating that average project sizes are considerably smaller



In real (inflation-adjusted) terms, private capex in FY 2024–25 remains below the levels witnessed in FY 2011–12

This suggests that there is still scope for further acceleration in investment activity



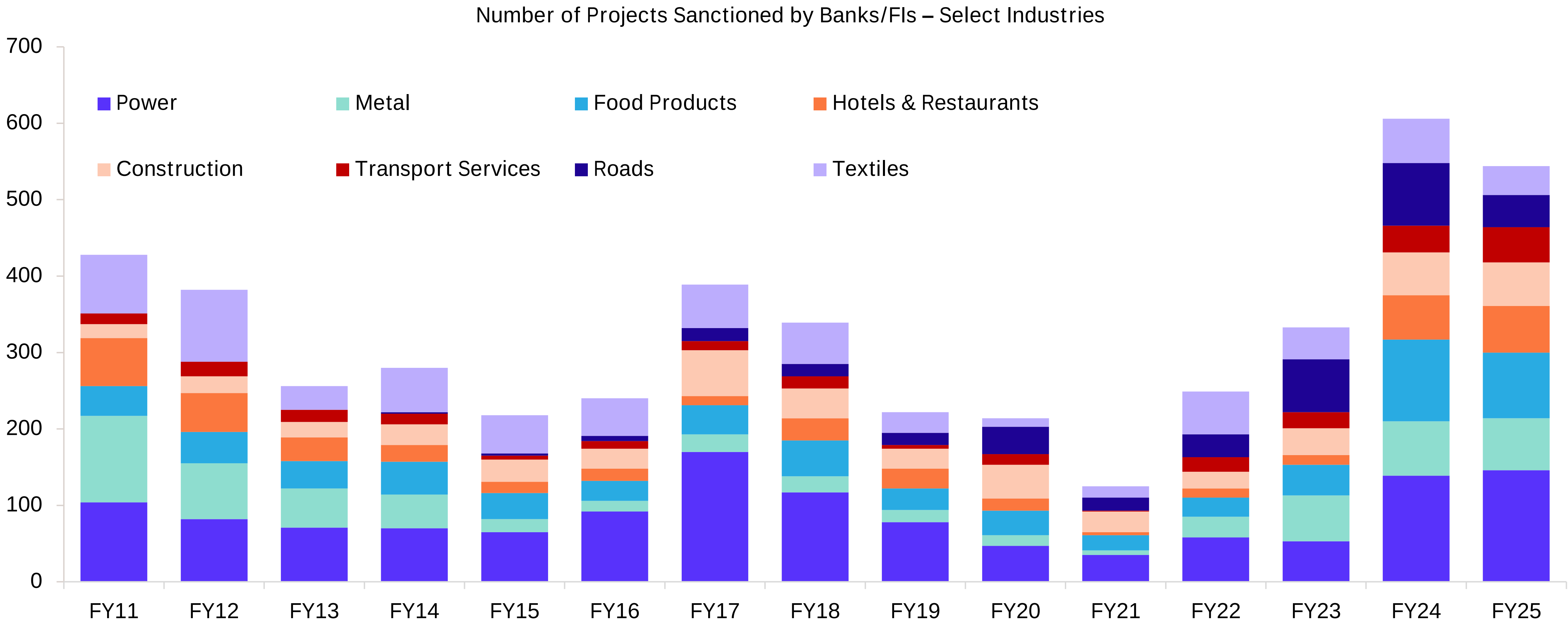
Over the past two years, the number of projects has increased significantly, implying that the average project size (in real terms) is much lower than during FY 2011–12

This cautious approach may reflect the experience of the last capex wave, when many large projects faced delays, cost overruns, and ultimately contributed to non-performing assets (NPAs) in the banking system

Source: RBI, 360 ONE Asset Research

Capex activity led by power, metals, and food products

Other key sectors include hotels & restaurants, transport services, roads, and textiles

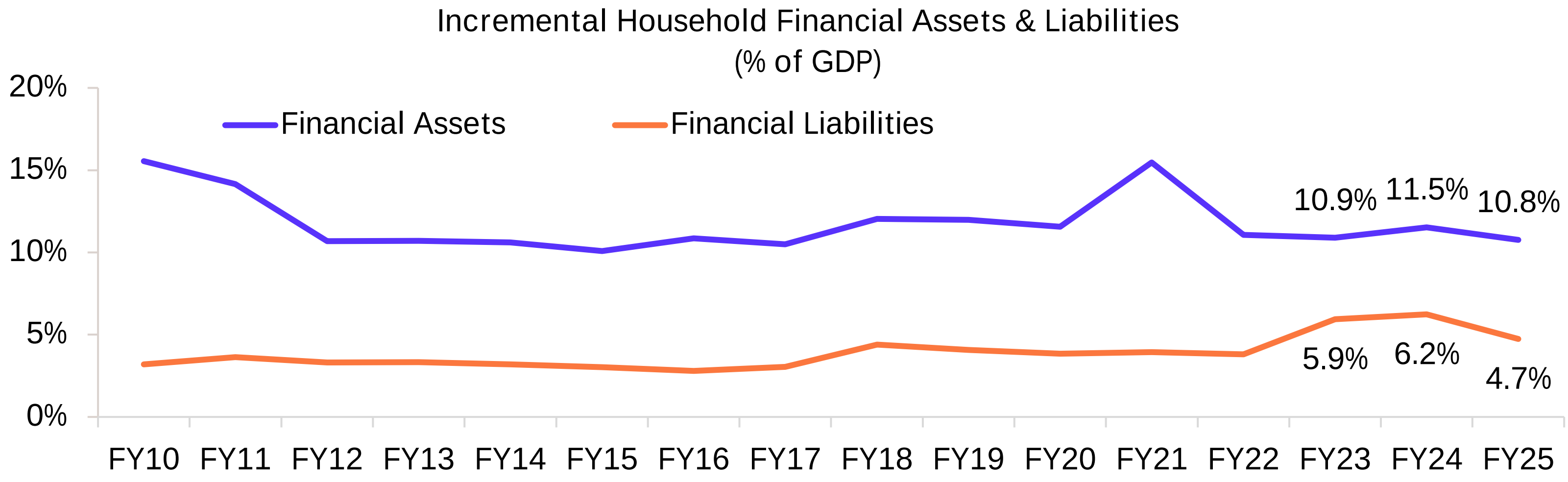


Source: RBI, 360 ONE Asset Research

Household Savings

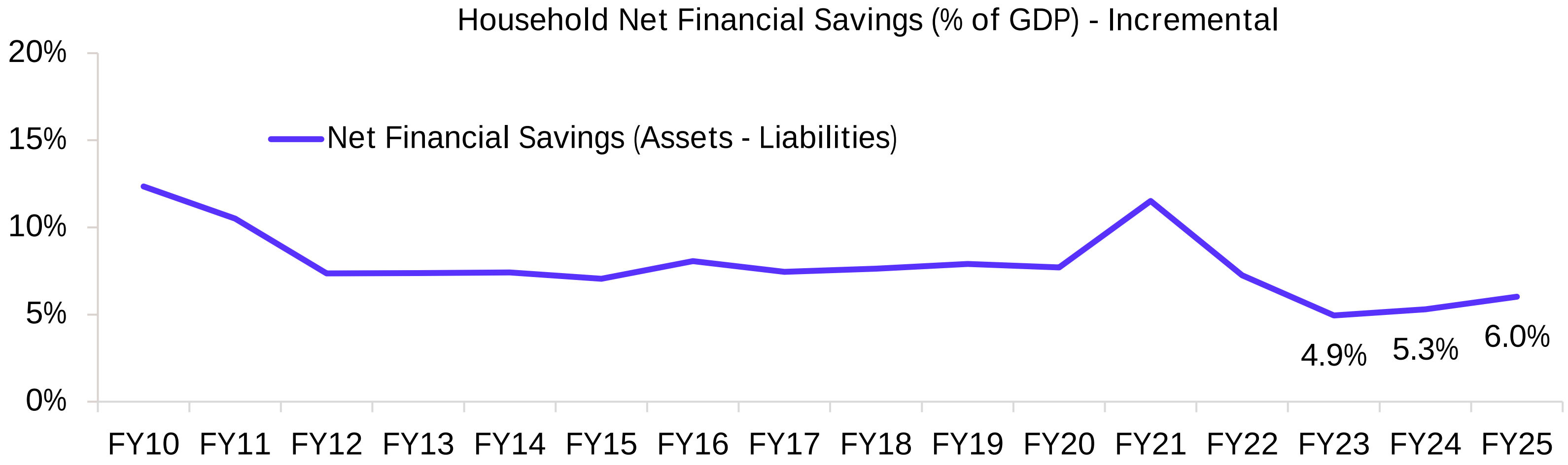
Net financial savings improve for the second consecutive year in FY25

Net financial savings are still lower than the average of ~7.5% of GDP recorded during FY12–FY20



The increase in financial liabilities of households (HHs) moderated to 4.7% of GDP in FY25, down from 6.2% in FY24, which had marked the highest level since FY07

Simultaneously, the increase in household financial savings also eased to 10.8% of GDP in FY25, compared to 11.5% in the previous year



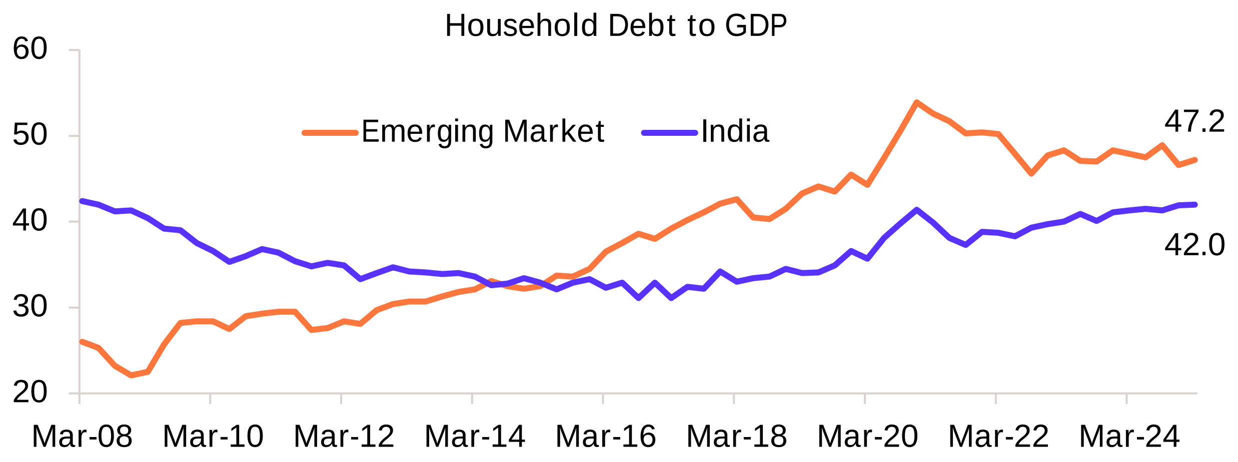
Consequently, net financial savings (incremental financial assets minus liabilities) improved for the second consecutive year in FY25, reaching 6.0% of GDP from the trough of 4.9% in FY23

However, net financial savings are still lower than the average of ~7.5% of GDP recorded during FY12–FY20

Source: RBI, 360 ONE Asset Research

HH leverage has risen since 2017 but remains below the EM average

Consumption credit is growing faster than other segments, yet it comprises just 19% of total household bank credit

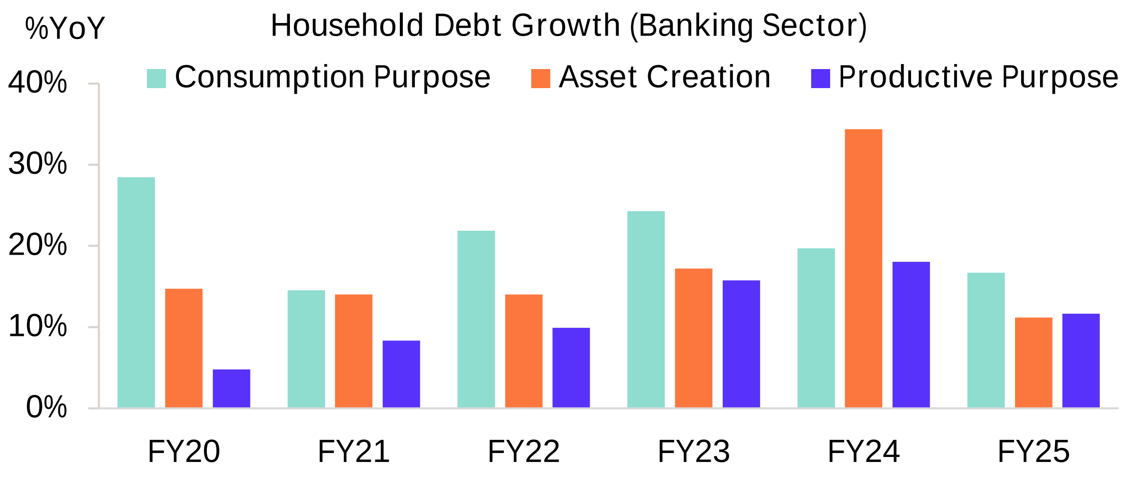


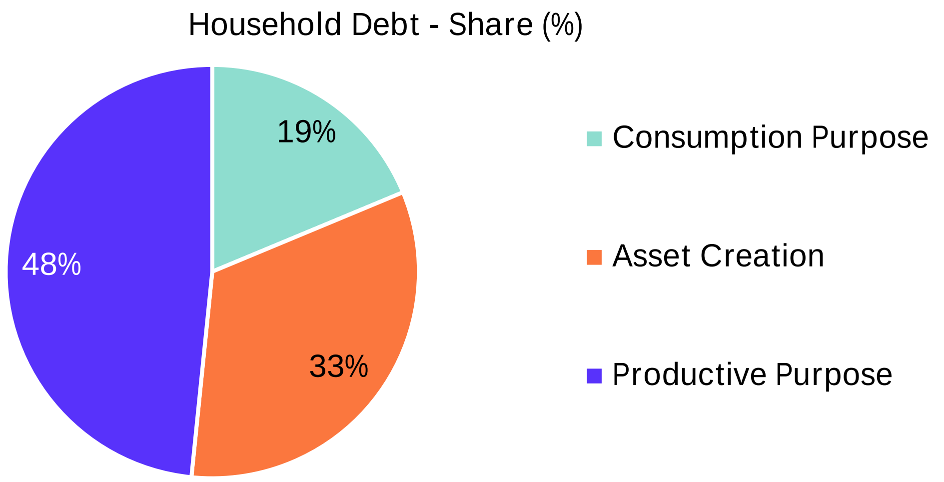
Indian household (HH) debt-to-GDP has consistently risen since 2017, reaching 42% in March 2025

However, it still remains below the emerging market (EM) average of 47%

HH consumption-oriented loans have grown faster than loans for productive purposes or asset creation for the banking sector, but they account for only 19% of total household bank credit

We do not foresee any sustainability issues with Indian household debt and expect household credit growth to remain robust as financial inclusion deepens

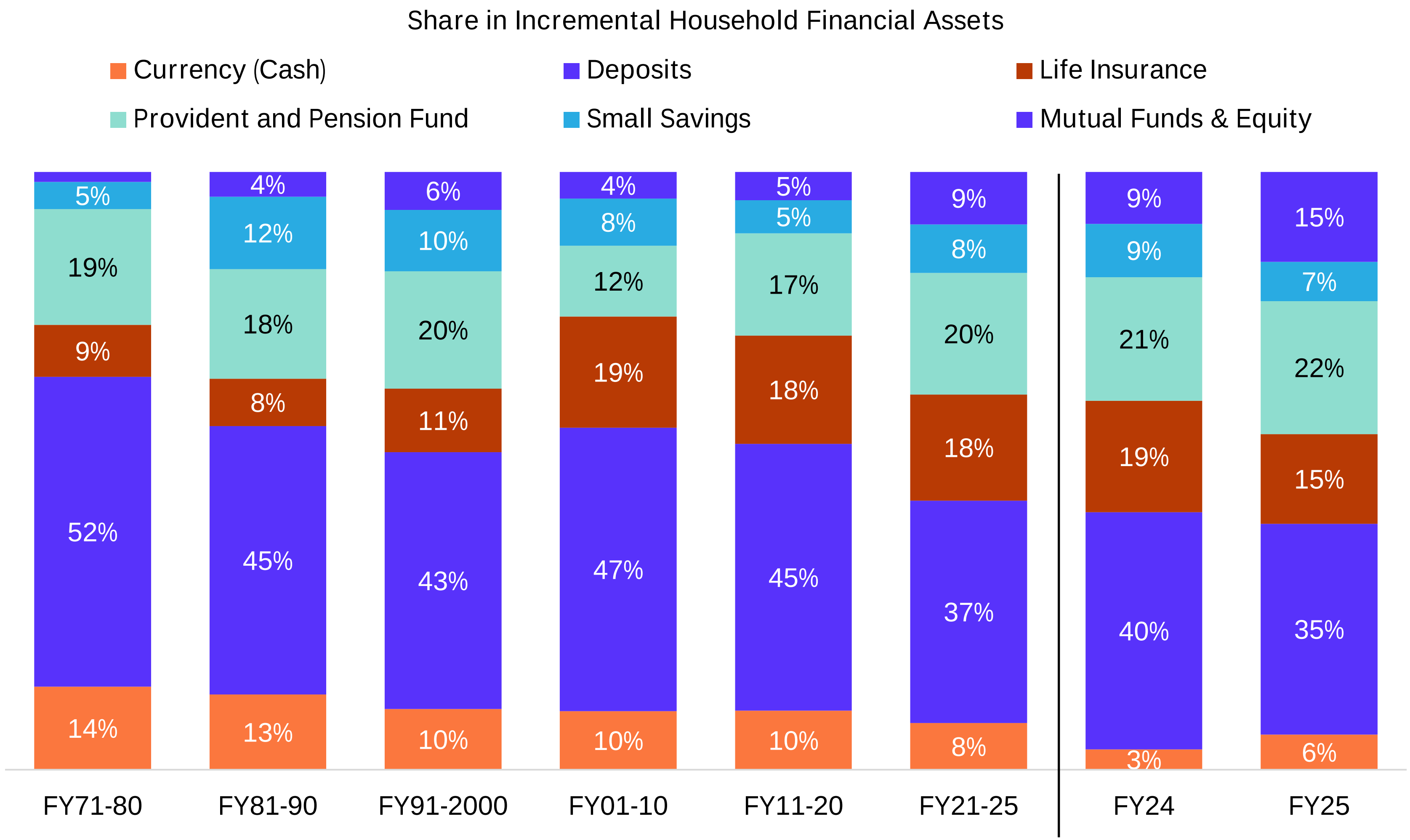




Source: BIS, RBI, 360 ONE Asset Research

Household participation in mutual funds & equities shot up in FY25

The share of deposits in HH savings decreased to 35% in FY25 from 40% in FY24



Source: MOSPI, RBI, 360 ONE Asset Research

The share of deposits in total household (HH) financial investment continues to trend lower, falling to 35% in FY25 from 40% a year earlier

HH's participation in mutual funds and equities surged in FY25, accounting for 15% of incremental financial investment compared with 9% in the previous year

Provident and pension funds continue to account for a healthy 22% share of HH investments, followed by a 15% share in insurance products

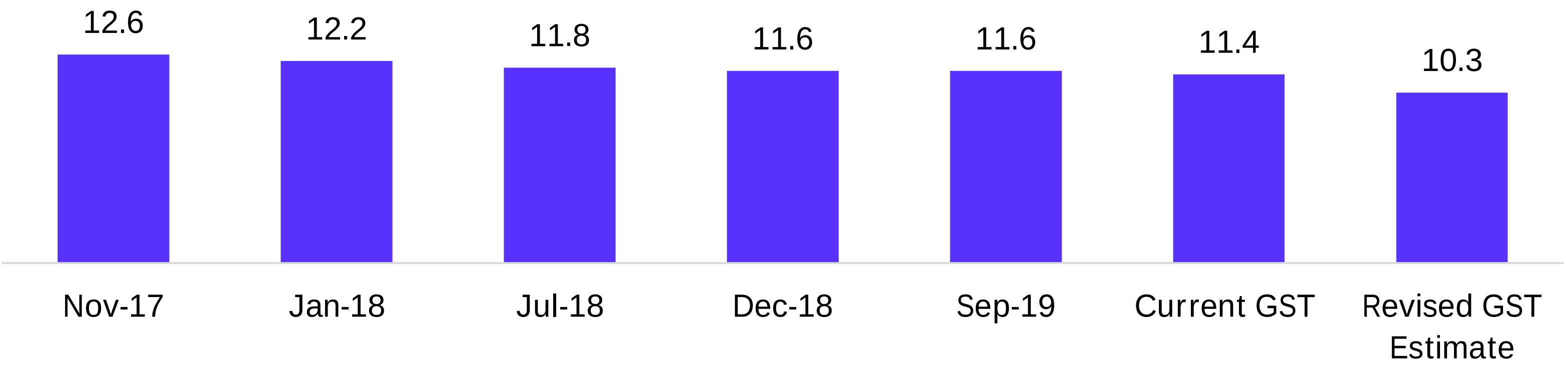
GST 2.0

GST 2.0 could provide a ~Rs 2 tn boost to consumption

GST cuts could potentially boost the GDP growth by 0.4-0.5% on an annualized basis

	GST 2.0 impact on Exchequer and Consumption	Rs Bn
A	Gross revenue loss to exchequer on account of GST 2.0	930
B	Gains on account of introduction of 40% slab in GST 2.0	450
C = A-B	Net loss to exchequer on account of GST 2.0/ Potential gain to the consumer	480
D	Gain on account of withdrawal of compensation cess	1,671
C + D	Net consumption boost	2,151

Weighted Average (Effective) GST Rate



Source: Ministry of Finance, Budget Documents, Kotak Institutional Equities, 360 ONE Asset Research
Note: Net loss to exchequer calculated on FY24 base and gain on account of withdrawal of compensation cess is based on FY26 budget estimates

GST 2.0 could provide a ~ Rs. 2 trillion boost to consumption

The extent of its impact on GDP will depend on how the government offsets revenue losses (via higher taxes elsewhere, lower spending, etc.), but preliminary estimates suggest it could lift GDP growth by 0.4–0.5%

GST 2.0 could reduce the effective tax rate by around 1 percentage point

Inflation could be lower by 1 ppt with complete pass-through

Monetary policy may look through GST 2.0's one-off, transitory impact on inflation

	Weight (%)	CPI Impact (Bps)		
		100% pass-through	75% pass-through	50% pass-through
Food and beverages	45.9	-42	-32	-21
Cereals and Products	9.7	-10	-8	-5
Milk and Milk Products	6.6	-3	-2	-2
Oils and Fats	3.6	-3	-3	-2
Sugar and Confectionery	1.4	-7	-6	-4
Non-alcholic Beverages	1.3	1	1	1
Prepared Meals, Snacks, Sweets etc.	5.5	-19	-14	-9
Clothing and Footwear	6.5	-4	-3	-2
Fuel and Light	6.8	3	2	1
Miscellaneous	28.3	-58	-44	-29
Household Goods and Services	3.8	0	0	0
Health	5.9	-28	-21	-14
Transport and Communication	8.6	-11	-8	-6
Recreation and Amusement	1.7	-1	-1	-1
Education	4.5	3	2	1
Personal Care and Effects	3.9	-21	-16	-10
Total Impact		-101	-76	-51

Source: Kotak Institutional Equities, 360 ONE Asset Research

Auto, Cement, Pharma, Insurance and Staples are key beneficiaries

Two-wheelers above 350cc, premium class airfares, and apparel priced over Rs. 2,500 are likely to become costlier

Sector	Product	GST		
		Old Rate	Cess	New Rate
Automobiles	Two-Wheeler (<350 CC), Three-Wheeler, Auto Parts, Commercial Vehicles	28		18
	Two-Wheeler(>350 CC)	28	3	40
	Passenger Vehicles (Length <= 4m and <1.2L engine for petrol/<1.5L for diesel)	28	1-3	18
	Other Passenger Vehicles	28	15-22	40
	Tractors (excluding road tractors >1.8L engine)	12		5
Building Material	Cement	28		18
Consumer Durables	Air Conditioner	28		18
Consumer Staples	Butter and Others Fats, Fruit Pulp or Fruit Juice, Instant Noodles, Namkeens	12		5
	Hair Care (Excluding Coconut Hair Oil), Toothpaste, Soaps, Shampoos	18		5
	Sugar, Biscuits, Chocolates, Mineral Water	18		5
Pharmaceuticals	Certain Lifesavings Drugs	12		0
	Other Medicines, Medical Grade Oxygen, Surgical Paraphernalia, Corrective Glasses	12		5
Insurance	Life and Non-Life Insurance	18		0
Others	Footwear (Not Exceeding Rs 2,500)	12		5
	Apparel/Garments, Cotton Quilts (exceeding Rs 2,500)	12		18
	Hotel Fare (up to Rs 7,500)	12 w/ ITC		5 w/o ITC
	Airfare - Premium Economy, Business and First Class	12		18

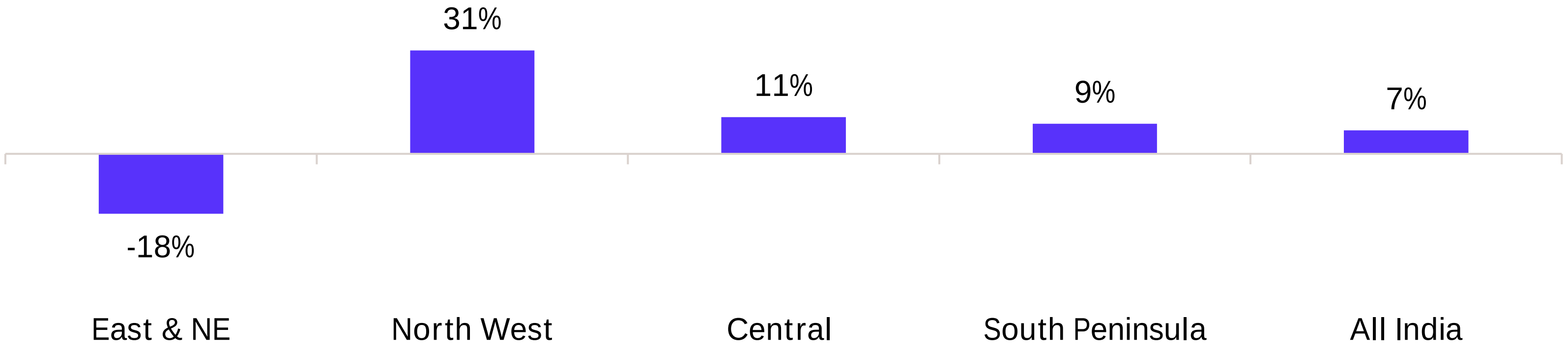
Source: Ministry of Finance, 360 ONE Asset Research

Monsoon Update

Monsoon season is likely to end with above-normal rainfall

However, regional disparities persist, with excess rainfall in the Northwest and deficient rainfall in the East & Northeast

% Deviation from Normal - Cumulative (as of 22nd September)



The 2025 southwest monsoon season is likely to end with above-normal rainfall

However, wide regional disparities persist, with Northwest India recording a heavy surplus and East & Northeast India facing deficiencies

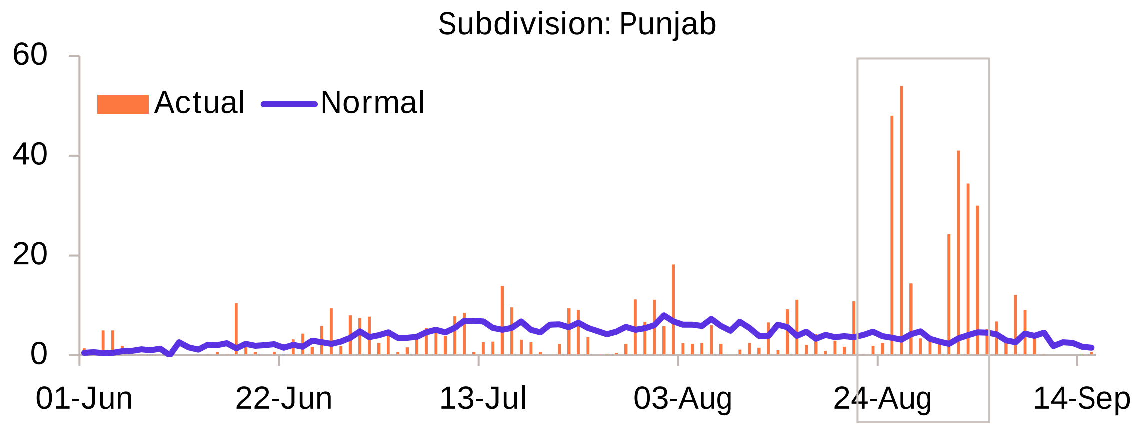
As of 22nd September	Number of Subdivisions	% Area of Country
Large Excess	2	10%
Excess	10	30%
Normal	21	51%
Deficient	3	9%
Large Deficient	0	0%
No Rain	0	0%

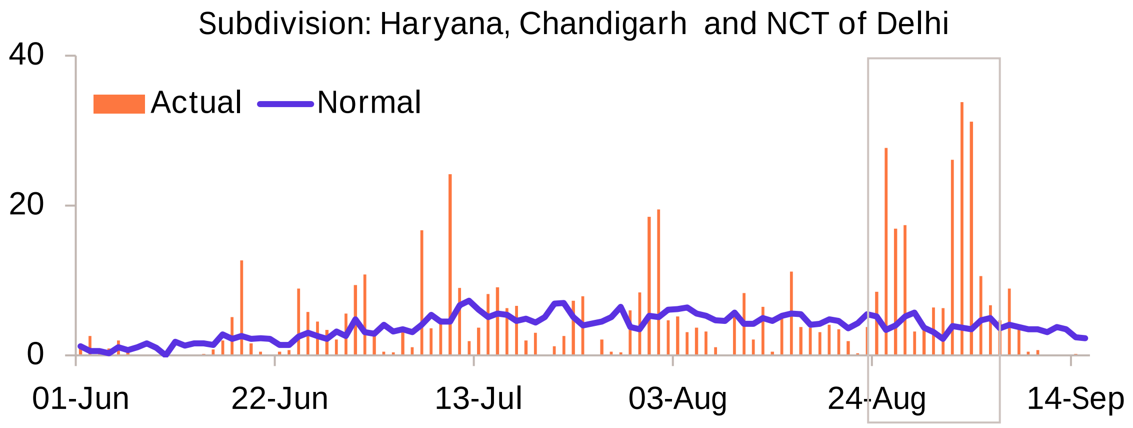
Rainfall distribution across most areas broadly falls within the normal to excess range, but this cumulative picture masks the intense downpours in certain states that have led to flooding

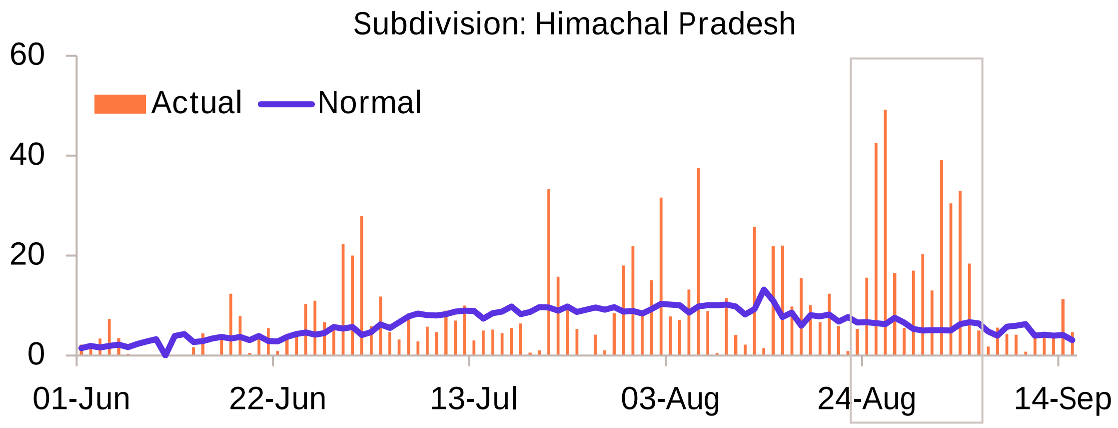
Source: CMIE, IMD, 360 ONE Asset Research

Heavy rainfall led to flooding in many states in North-West India

Floods could significantly impact crop yields across Punjab, Haryana, and Himachal Pradesh







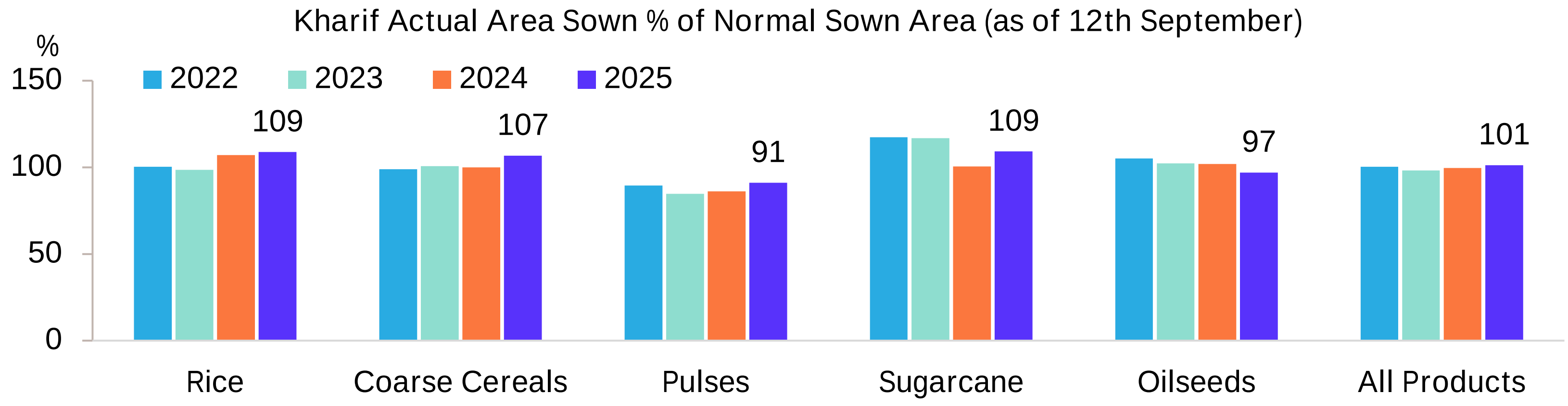
Intense short-period rainfall across Punjab, Haryana, and Himachal Pradesh has led to flooding

This is likely to impact crop yields and, despite overall above-normal rainfall, agricultural production could be adversely affected.

Source: CMIE, 360 ONE Asset Research

Kharif sowing has been healthy overall, except for pulses and oilseeds

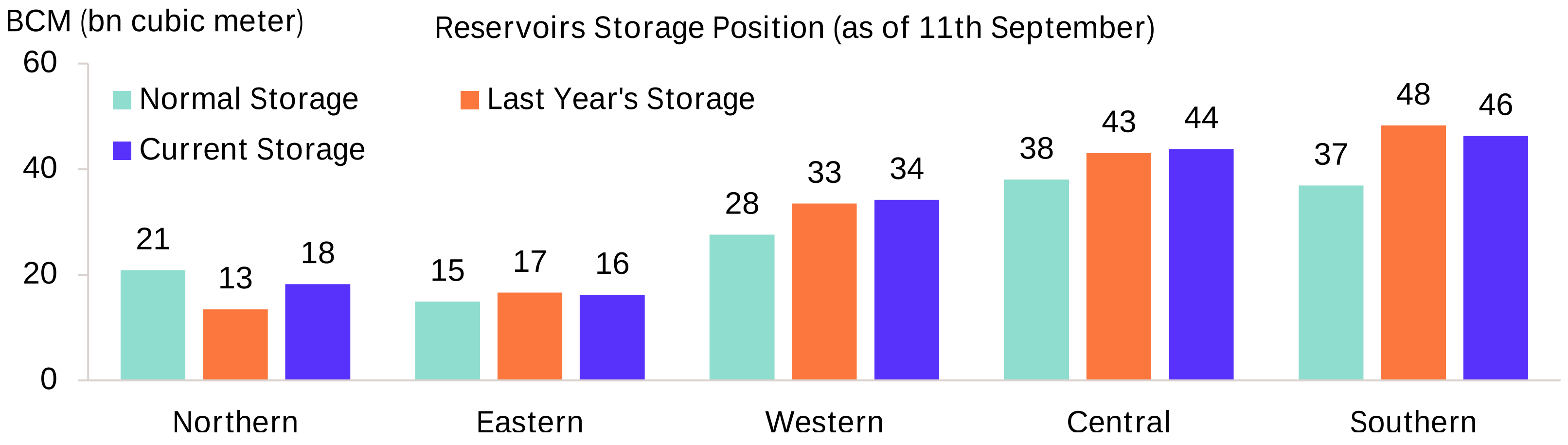
Reservoir levels are also robust across regions



Kharif sowing has progressed well across most crops

However, the sowing of pulses & oilseeds has been subdued

In addition, lower yields in certain flood-affected regions could weigh on final production



Storage levels remain comfortable across regions, which bodes well for the upcoming rabi season

Source: CMIE, CWC, 360 ONE Asset Research

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