

Monthly Letter

November 2025



Invest well. Celebrate life.

We were +6.5% in October vs +4.6% for the NIFTY50 TRI. The positive sentiment from the GST cuts, which came into effect at the end of September, carried over into October, resulting in consumer-facing sectors reporting a record upsurge in festive season sales of approximately 20%. The expectation of a resolution of the impasse on the tariff front with the USA, by the end of November, has also kept markets upbeat. So far, the first half of the earnings season for quarter two of fiscal 2026, has been strong, and we believe this should continue for the remaining period as well. FPI selling, which has been the bugbear of the market for the past many months, also turned positive in October, which took some overhead pressure off the market.

Returns*	Prodigy Growth Strategy	NIFTY 50 TRI
1 Year	-1.8%	7.6%
3 Years	24.3%	13.9%
5 Years	24.5%	18.6%
Since Inception (1-Mar-12)	23.3%	13.5%

*Figures are annualised, are as of 31st October 2025, and are not verified by SEBI. The portfolio returns are post-fixed and performance fees. In line with SEBI guidelines, all the portfolio and benchmark returns are calculated using the TWRR method.

On the whole, we believe that we are set for a strong second half of this fiscal year, with overall demand buoyancy from the GST cut, the income tax cut earlier in the year and a strong monsoon supporting rural demand. In fact, the GST data for October (for September collections) suggests that the revenue shortfall from the GST cuts has been less than anticipated, suggesting that indeed this cut has spurred demand more than anticipated, and the strain on the revenue side of the Budget will be manageable. All of this comes against a stable macroeconomic backdrop wherein we have inflation well under control and an RBI that remains intent on pushing liquidity into the system and showing signs of opening up the financial ecosystem to foreign capital (RBL Bank's takeover by Emirates). This is an RBI that is deviating materially from its conservative thought process and feels it is the right time to open up the market to reignite investment and eventually drive credit growth, which has been lacklustre for the past couple of years.

While the above-mentioned factors would usually be sufficient to unleash the animal spirits, a couple of variables may possibly constrain the market from doing as well in the near term and may impact our market in the medium to long term. One is the bloated pipeline of IPOs lined up for November and December, of approximately Rs 40k crores. The IPO market has been exceptionally active this year. Already, a significant part of domestic flows into the market have been offset by this supply. What is also of concern is the aggressive pricing of some of these IPOs, which may cause them to list poorly, impairing investor sentiment. However, we see these offerings more as overpriced and not of poor quality, which is less of a concern than it has been in the past. In the long run, more of good-quality listings add depth to the market and increase participation in India's broader growth story.

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The second factor is the continuing lack of interest from FPIs in the Indian secondary market. Their holdings of Indian equities have fallen to a ten-year low of ~16%, and a significant portion of this money has been diverted away to cheaper emerging markets or into our own primary market instead. Also, FPIs believe that India is lagging as an artificial intelligence play as well as a new industry play (like EVs and biotech), relative to China. Indeed, our government has been late in recognising the importance of these sectors and may not have given enough impetus to invest here well in advance. Although it is trying to make up for lost time, we are definitely far behind in the game, and perhaps not even in it at the moment.

Hopefully, we will see an upward shift in the earnings trajectory of corporate India with the revival in demand we are witnessing since September. This may help us look more attractive to foreign investors going forward. As mentioned earlier, the pipeline of big listings is absorbing domestic inflows, and for all of their skittishness and volatility that they bring, we do need foreign funds to return (they are usually the first to flee at signs of trouble). The value of the rupee continues to remain weak relative to the US dollar. We need to see some strength returning here for us to believe the market can improve meaningfully. Hopefully, the India-US trade deal will provide some impetus here. We remain constructive that the time-wise correction in our market is concluding and FPIs will return in the near future, it is a matter of when and not if.

The huge rally in the US market is currently being driven by a handful of large companies associated with the explosion in AI. The level of investment in AI-related infrastructure is leading many to believe that this has reached bubble-esque proportions. The debate has no easy answer, and only time will tell if this AI-related investment boom is the foundation of the future or a precursor to a dot-com-like crash. In case there is a crash in the US markets in the coming year, the repercussions will be felt around the globe, and we too would be collateral damage. This is the medium-term factor to worry about. However, since there is no way to be sure about 'if or when', we need to keep monitoring this factor and move forward with this known unknown. The impact of AI on employment in our services sector is yet another cause for concern, but let's save that discussion for another day.

The India story remains intact. The consolidation of the last year has helped valuations look better and even attractive in some spaces. Domestic flows continue to underpin our market and offset the volatility of FPI flows. We remain optimistic and recommend steadily investing here.

Thank you for your support.

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