

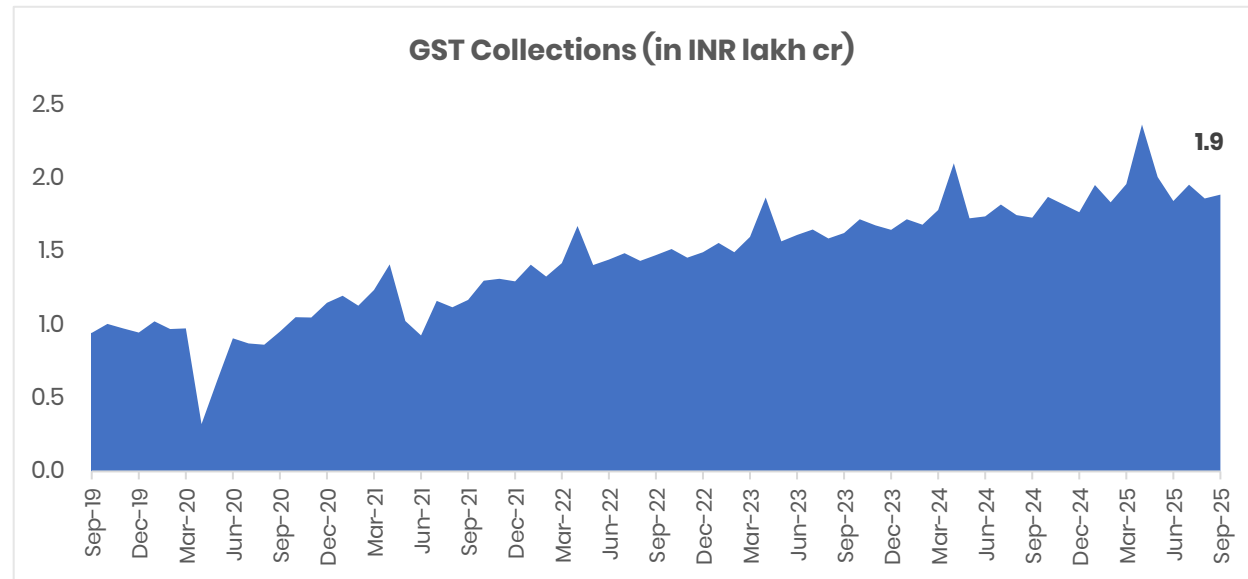
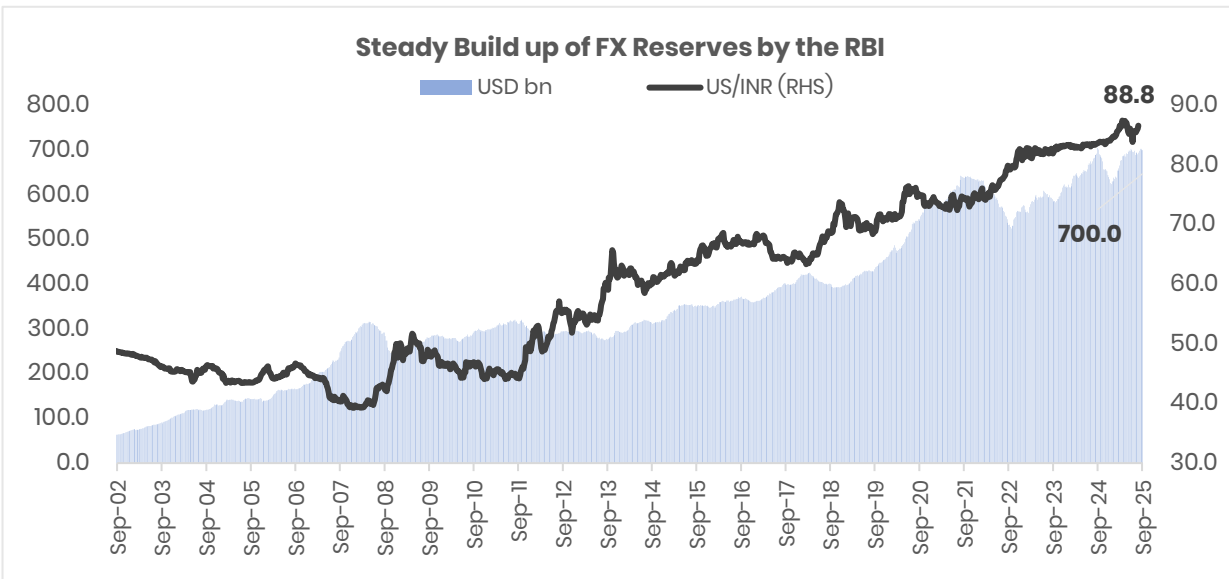
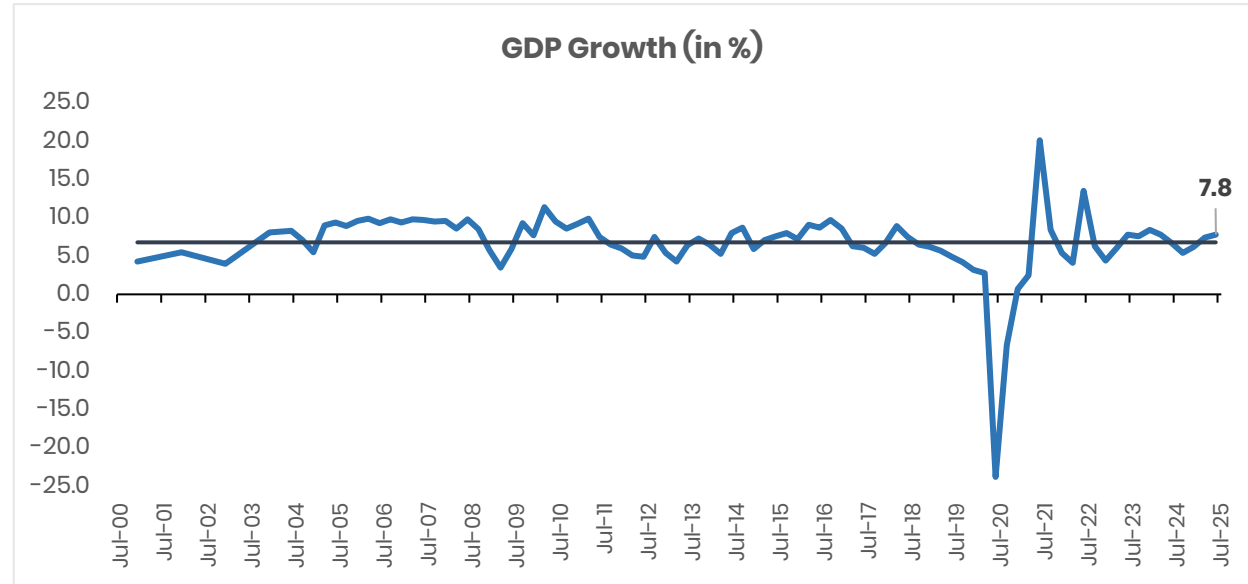
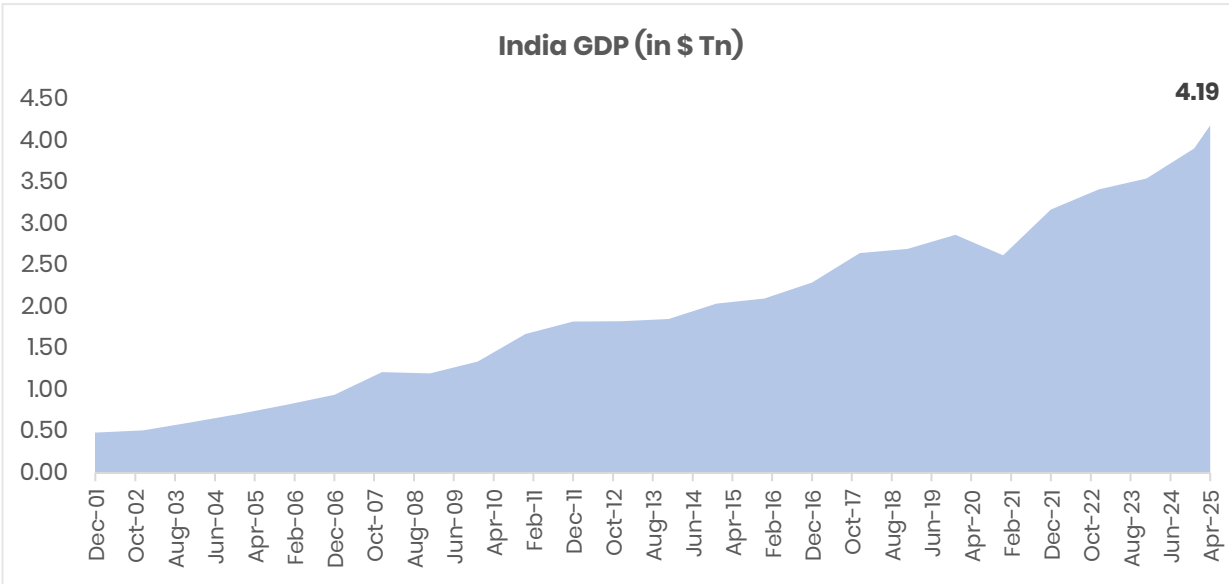
Fixed Income Navigator

A Monthly Dose of Insights

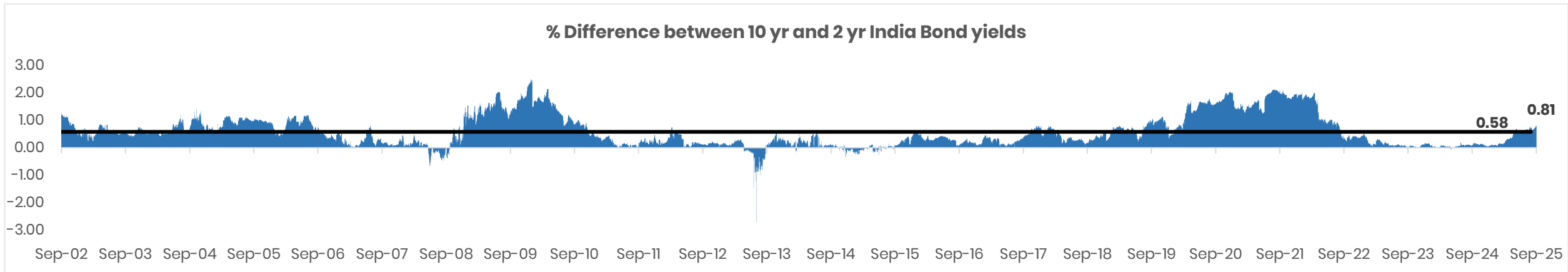
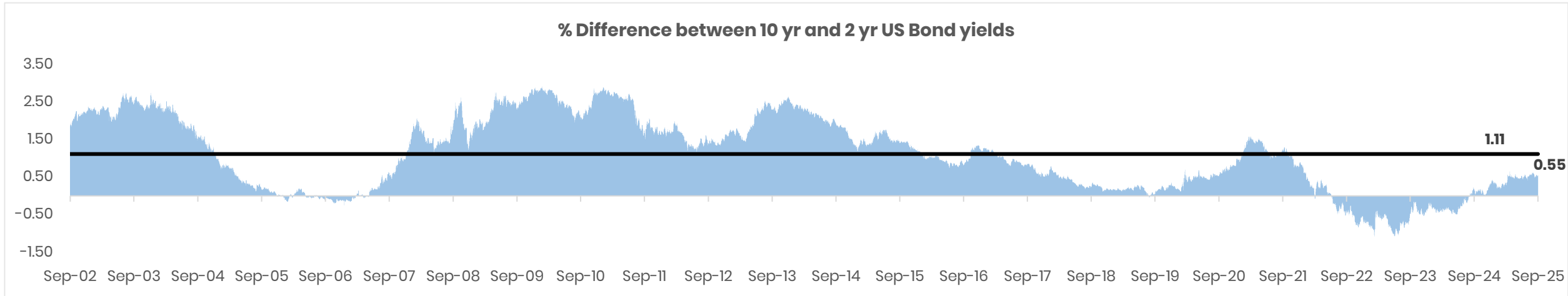
October 2025

MACRO ECONOMIC INDICATORS

India is the 4th largest economy with a GDP of USD 4.19 tn*

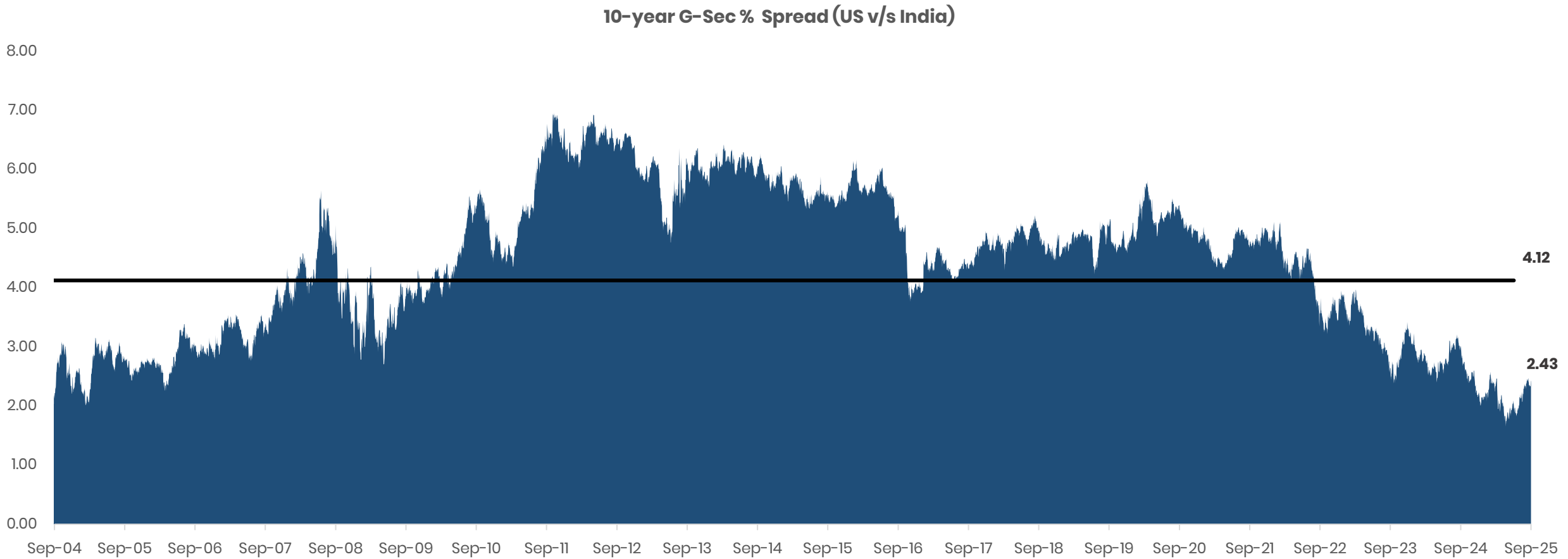


US bond yield spread is rising gradually



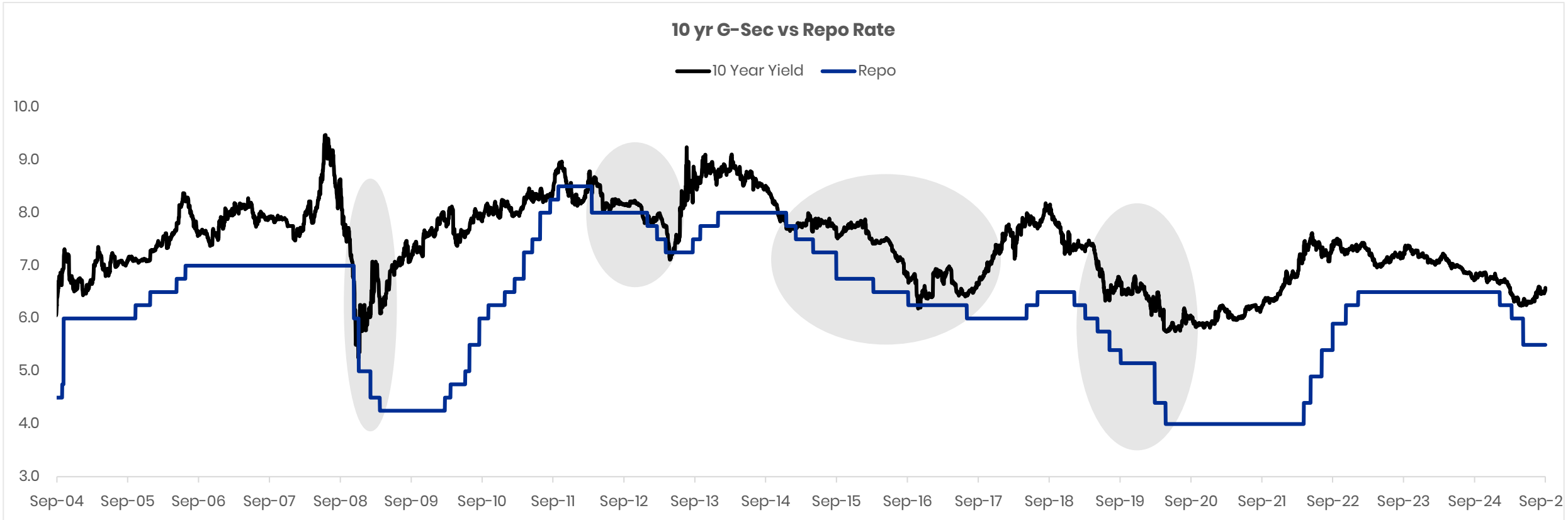
- The spread in US bond yields has been on the rise over the past 12 months, now standing at 0.55.
- India's 10-year to 2-year G-sec yield spread widened to 81 bps (long-term average: 58 bps) from 74 bps last month, primarily due to a sharp rise in 10-year yields following the uncertainty around the tariff.

10-year US-India spread is still below its long term average



- The spread between India's and the US 10-year bond yields has narrowed by 55 bps compared to last year, primarily due to signs of a weakening US economy
- A stable government, robust macro indicators, and the recent upgrade in India's sovereign rating have collectively helped keep bond yields in check.

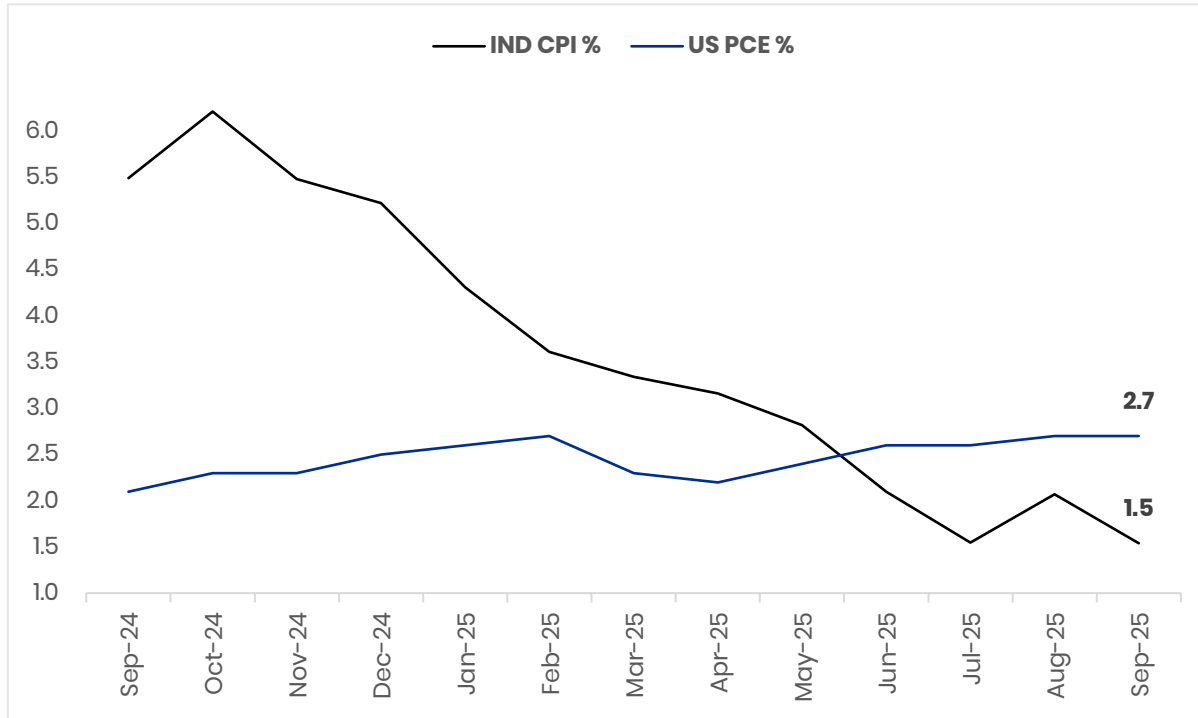
10-year G-Sec yield is at 3 year low



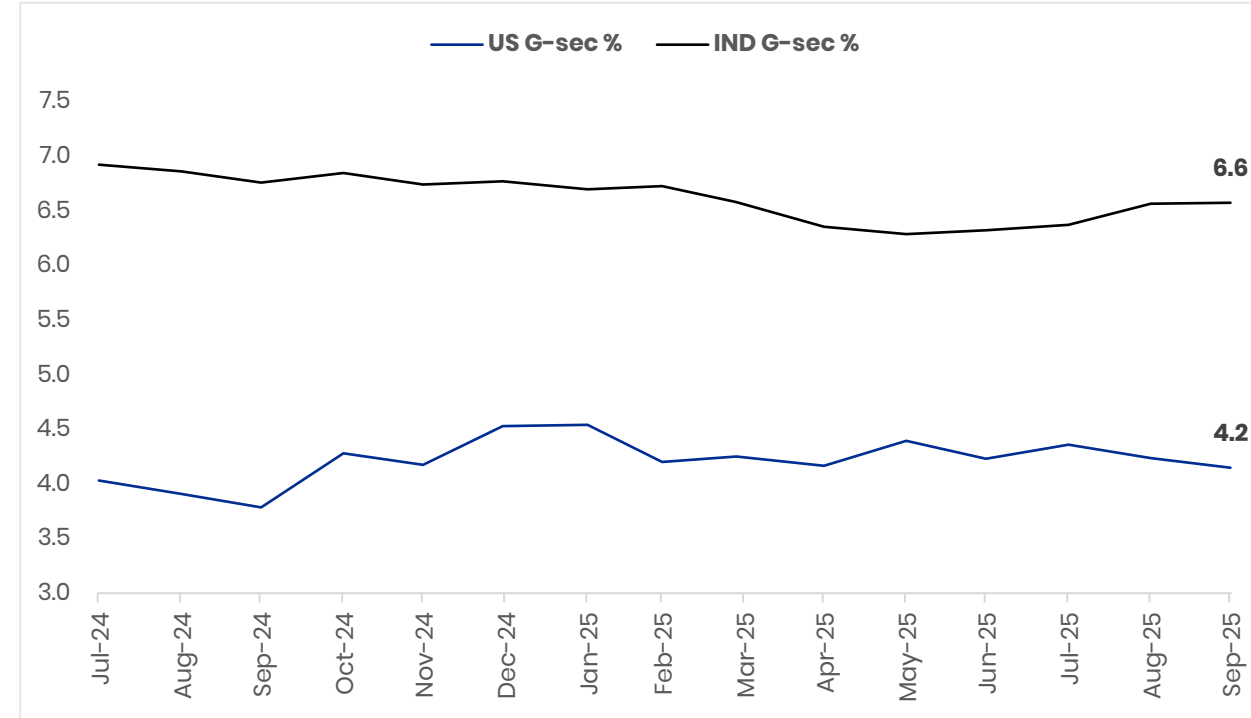
Past instances of the yield declining before a rate cut →

Period	Yield Decline Start	First Rate Cut
2008-2009	Jul-08	Oct-08
2011-2013	Nov-11	Apr-12
2014-2017	Apr-14	Jan-15
2018-2020	Sep-18	Feb-19
2025-?	Jun-22	Feb-25

Inflation in India is cooling down, while in US it is stable



Inflation: India's inflation cooled down to 1.54% in Sept, down from 2.07% in August majorly due to GST cut and cheaper vegetables prices.



Yield: India's 10-year G-sec yield has been gradually declining over the past one year however it saw a spike in the past few months whereas US Treasury yield have started to stabilised around 4.00% - 4.50% range.

Recent Happening: At its October meeting, Reserve Bank of India (RBI) kept the interest rate unchanged to 5.50%. The MPC also maintained its neutral stance.

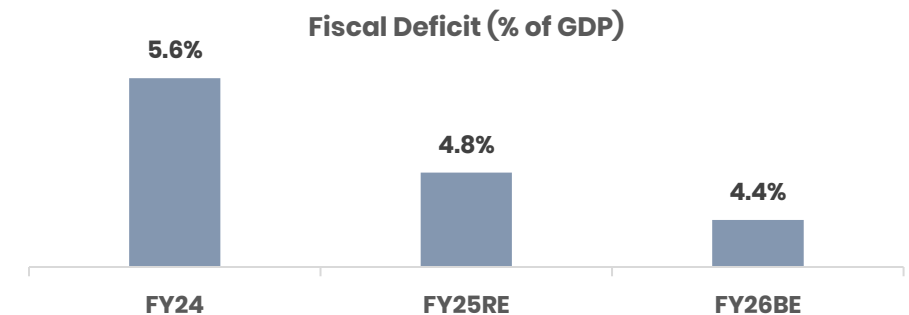
Focus on fiscal consolidation and consumption

India's Finance Minister Nirmala Sitharaman presented her 8th consecutive budget in the parliament on 1st Feb'25, providing significant tax relief to the middle class. For the first time in many years, **the budget shifted its focus from investment led growth to consumption/savings-driven growth.**

However, the focus on fiscal consolidation remained intact, with the FY26 fiscal deficit target pegged at 4.4% of GDP, lower than the glide path target of 4.5%, which is positive for debt sustainability. The Finance Minister announced that, from FY27 onward, the central government would keep its fiscal deficit in each year (from FY27 to FY31) such that the Central Government debt is on a declining path **to attain a debt-to-GDP ratio in the 49-51% range by FY31.** While the government reduced its total receipt estimates to INR 31.5 tn in FY25RE from INR 32.1 tn in FY25BE (reduction of INR 602 bn), the expenditure target was reduced to INR 47.2 tn in FY25RE from INR 48.2 tn in FY25BE (reduction of INR 1040 bn).

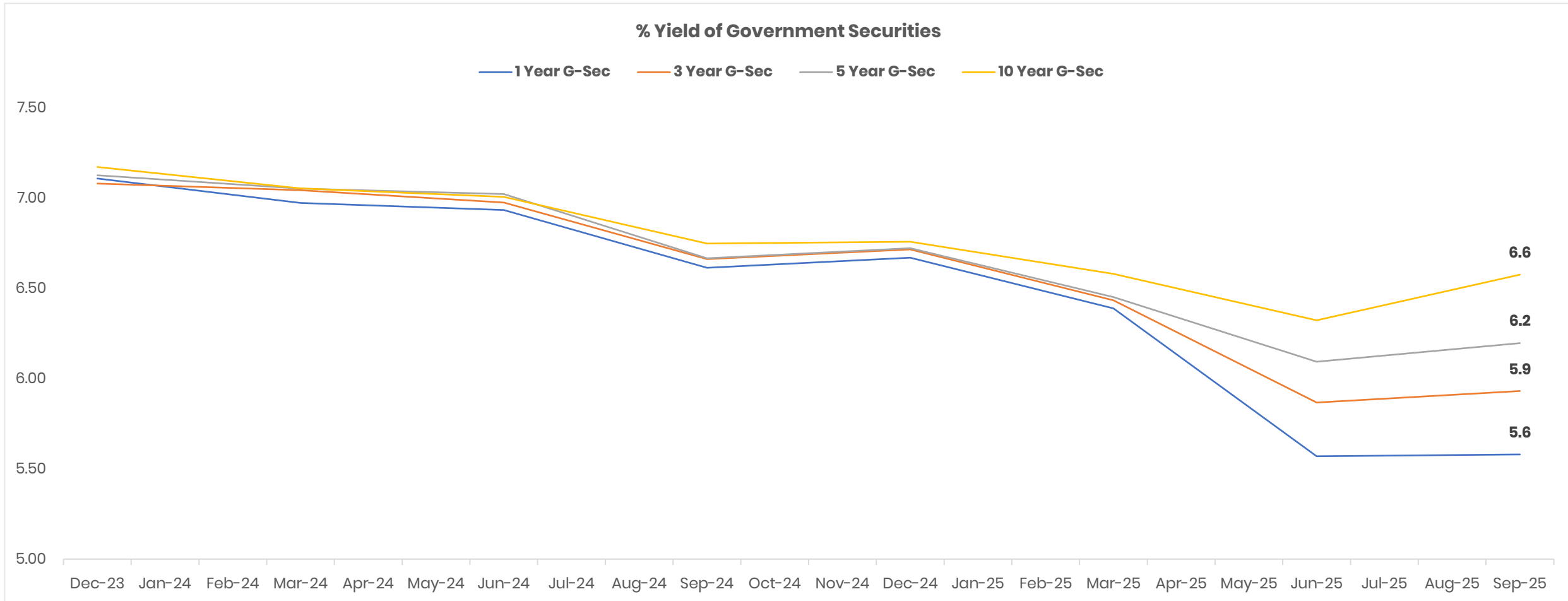
After making these changes, the fiscal deficit stands at INR 15.7 tn in FY25RE from INR 16.1 tn in FY25BE (reduction of INR 438 bn). Consequently, the fiscal deficit is expected to come down to 4.8% of GDP in FY25RE from 4.9% of GDP in FY25BE, despite lower nominal GDP growth of 9.7% YoY in FY25 vs. earlier expected 10.5% YoY in FY25BE. For FY26, the Gol expects total receipts to rise 11.1% YoY to INR 35.0 tn in FY26BE. Further, total expenditure is budgeted to grow at a three-year high pace of 7.4% YoY to INR 50.7 tn. The Gol has budgeted a fiscal deficit of 4.4% of GDP for FY26, implying a consolidation of 40 bps next year.

Category	FY25RE (INR t)	FY25RE (% of GDP)	FY26BE (INR tn)	% YoY*	FY26BE (% of GDP)
Revenue					
1. Total receipts	31.5	9.7	35.0	11.1	9.8
2. Revenue receipts (a+b)	30.9	9.5	34.2	10.8	9.6
Gross taxes	38.5	11.9	42.7	10.8	12.0
a. Net taxes	25.6	7.9	28.4	11.0	7.9
Direct taxes	22.4	6.9	25.2	12.7	7.1
i. Corporation taxes	9.8	3.0	10.8	10.4	3.0
ii. Income taxes	12.6	3.9	14.4	14.4	4.0
b. Indirect taxes	16.2	5.0	17.5	8.3	4.9
i. Goods & Services Tax (GST)	10.6	3.3	11.8	10.9	3.3
b. Non-tax revenue	5.3	1.6	5.8	9.8	1.6
Expenditure					
3. Total expenditure (a+b)	47.2	14.6	50.7	7.4	14.2
Core spending	31.5	9.7	33.6	6.7	9.4
a. Revenue expenditure	37.0	11.4	39.4	6.7	11.0
Interest payments	11.4	3.5	12.8	12.2	3.6
Defense	4.3	1.3	4.3	-0.4	1.2
Grants to States/UTs	6.2	1.9	7.4	20.6	2.1
b. Capital expenditure	10.2	3.1	11.2	10.1	3.1
Fiscal deficit (1-3)	15.7	4.8	15.7		4.4
Revenue deficit (2-a)	6.1	1.9	5.2		1.5
Nominal GDP	324.1		357.0	10.1	



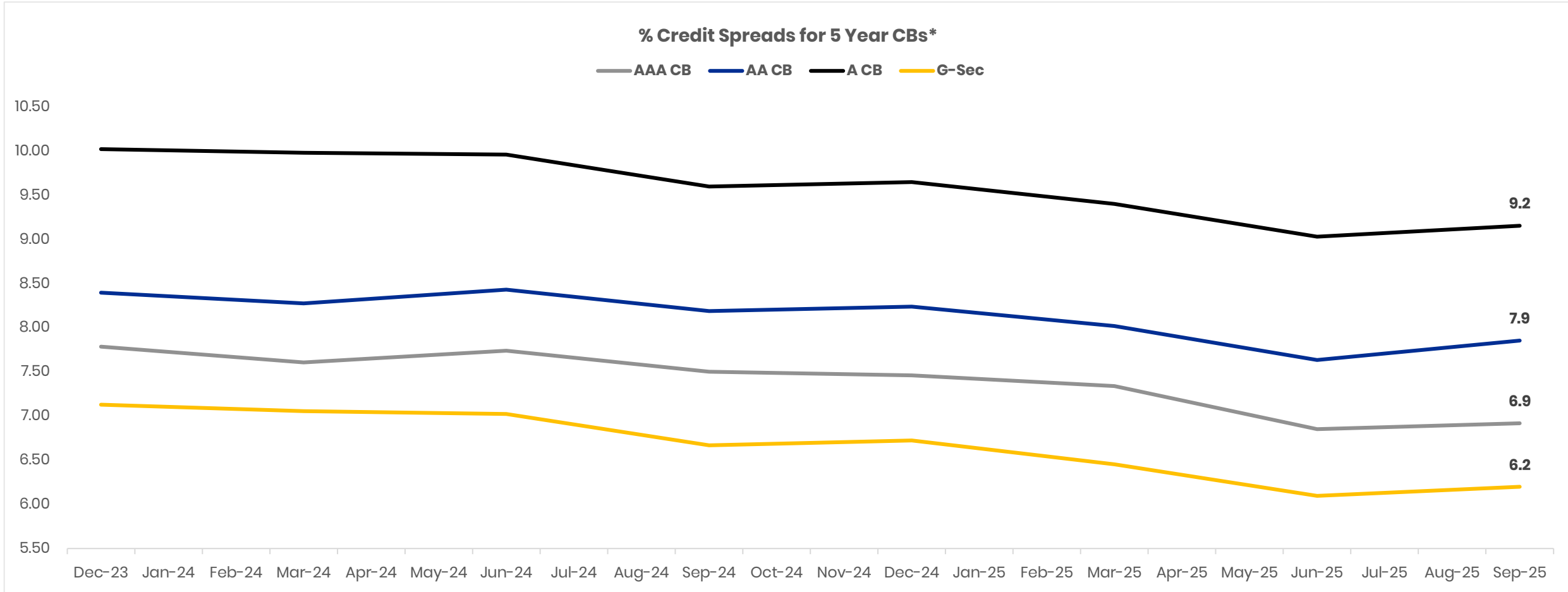
UPDATE ON YIELDS

G-Secs across durations have stabilized



➤ In Sep'25, Government Security yields have stabilized across maturities after declining for the past 12 months.

G-Sec yield spreads increased slightly in Sept'25 v/s CBs*



- Credit spread between the G-Sec & AAA rated CB stands at 0.72%, whereas with AA rated CB it is 1.66%.
- Rate cuts by RBI & flushing of liquidity have resulted into steepening of yield curve.

House Views & Recommendations

Fixed Income Portfolio Strategy

RBI kept the policy rate @ 5.50% and Neutral Stance unchanged on back of 'benign inflation with resilient growth'. However, there remains a scope of policy being accommodative on back of lower inflation prints, global headwinds or FED cementing more policy easing.

On the yields front, the curve has become more steepened wherein the yields at longer end of the curve (10 – 30 yr) has inched up on back of H2 borrowing calendar; currency weakening etc. However, **yields are expected to remain range bound in near to medium term.**

Accrual can be played across the credit spectrum by allocating **45% – 55% of the portfolio** to Performing Credit & Private Credit Strategies, InvITs & Select NCDs

- 30% – 35% may be invested in Performing Credit Strategies/NCDs and InvITs
- 20% – 25% may be invested in Private Credit including Real Estate/Infrastructure strategies and select NCDs

25% – 35% of the portfolio may be invested in Arbitrage Funds (minimum 3 months holding period), Income Plus Arbitrage Fund of Funds (min 2 yr holding period), Hybrid SIF Funds (min 2 yr holding period),

For tax efficient fixed income alternative solutions, **20% – 25% of the portfolio** may be allocated in Conservative Equity Savings funds (minimum 3 years holding period)

Recommended Mutual Funds : Debt

Scheme name	Fund Manager	Inception Date	Annualised Return %					SI	Avg Maturity (years)	Mod Duration (years)	Exp. Ratio %	Gross YTM %	Sov & AAA %	Below AAA %	Call & Cash %	Unrated %
			3 Months	6 Months	1 Year	3 Year	5 Year									
Active Duration Funds																
ICICI Pru All Seasons Bond Fund	Manish Banthia	Jan-10	1.2	3.1	8.1	8.0	6.6	8.8	12.7	4.6	1.3	7.6	63.3	32.7	3.7	0.3
Income Plus Arbitrage (FOF)																
DSP Income Plus Arbitrage Omni FoF	Kaivalya Nadkarni	Aug-14	1.2	2.8	6.2	11.8	7.4	7.1	5.2	-	0.8	6.7	0.0	99.4	0.6	0.0
Kotak Income Plus Arbitrage Omni FOF	Abhishek Bisen	Nov-22	1.4	3.4	7.4	-	-	8.1	-	-	0.3	6.5	0.0	99.5	0.5	0.0
Dynamic Fund																
Bandhan Dynamic Bond Fund	Suyash Choudhary	Dec-08	-0.1	-0.4	3.2	7.0	4.7	7.5	8.2	6.0	1.6	6.7	98.2	0.0	1.5	0.3
DSP Strategic Bond Fund	Sandeep Yadav	May-07	0.5	0.7	5.0	7.8	5.5	6.9	16.8	-	1.2	6.8	79.6	3.6	16.4	0.4
Arbitrage Funds																
Edelweiss Arbitrage Fund	Bhavesh Jain	Jun-14	1.2	2.8	6.5	7.0	5.7	6.2	0.4	0.4	1.1	6.4	-	-	-	0.0
Invesco India Arbitrage Fund	Deepak Gupta	Apr-07	1.3	2.9	6.5	7.1	5.9	6.6	0.4	0.4	1.1	6.1	-	-	-	0.0
Kotak Equity Arbitrage Fund	Hiten Shah	Sep-05	1.3	2.9	6.6	7.2	5.9	6.9	0.3	0.3	1.1	5.9	-	-	-	0.0
Equity Saving Fund																
ICICI Pru Equity Savings Fund	Dharmesh Kakkad	Dec-14	1.1	5.0	6.5	9.1	9.7	7.9	3.3	1.6	1.0	6.0	11.5	82.9	4.8	0.8
Kotak Equity Savings Fund	Devender Singhal	Oct-14	2.9	7.9	5.5	12.3	11.4	9.4	3.5	2.0	1.8	6.4	13.2	76.2	9.7	0.9

Exclusive Offers

Secondary Market Bond Yields

ISIN	SECURITY DESCRIPTION	MATURITY	IP DATES	RATINGS	QUANTUM	YIELD
INE818W08131	11.10% ESAF SMALL FINANCE BANK 2031	17-07-2031	QUARTERLY	A BY CARE	MULTIPLE OF 5 LAKHS	11.50%
INE07HK07817	10.40% KRAZYBEE SERVICES PRIVATE LTD. 2027	50% 25-OCT-2026; 50% 25-JAN-2027	MONTHLY	CRISIL A	MULTIPLE OF 5 LAKHS	10.90%
INE342T07494	10.50% NAVI FINSERV LTD. 2027	18-06-2027	MONTHLY	CRISIL A	MULTIPLE OF 5 LAKHS	10.75%
INE605Y07197	9.80% AUXILO FINSERVE PVT. LTD. 2028	29-01-2028	QUARTERLY	CRISIL A+	MULTIPLE OF 5 LAKHS	9.67%
INE02VP07065	9.80% IKF HOME FINANCE LTD. 2028	25% 24-JUN-2027; 25% 24-SEPT-2027; 25% 24-DEC-2027; 25% 24-MAR-2028	QUARTERLY	A BY CARE	MULTIPLE OF 5 LAKHS	9.62%
INE605Y07189	9.70% AUXILO FINSERVE PVT. LTD. 2027	29-01-2027	QUARTERLY	CRISIL A+	MULTIPLE OF 5 LAKHS	9.26%
INE08XP07324	12.50% AKARA CAPITAL ADVISORS PVT. LTD. 2028	27-12-2028	MONTHLY	ICRA BBB	MULTIPLE OF 5 LAKHS	14.25%
INE836B08293	11.50% SATIN CREDITCARE NETWORK LTD. 2031	24-01-2031	MONTHLY	A by ICRA	MULTIPLE OF 5 LAKHS	12.05%
INE04HY07294	10.25% VEDIKA CREDIT CAPITAL LTD. 2028	31-07-2028	QUARTERLY	IVR A-	MULTIPLE OF 5 LAKHS	12.00%
INE07HK07825	10.65% KRAZYBEE SERVICES PRIVATE LTD. 2027	25% 12-MAY-2027; 25% 12-JUN-2027; 25% 12-JUL-2027; 25% 12-AUG-2027	MONTHLY	CRISIL A	MULTIPLE OF 5 LAKHS	11.18%
INE735W08053	11.00% UTKARSH SMALL FINANCE BANK LTD. 2031	CALL : 28-06-2029	QUARTERLY	ICRA A+	MULTIPLE OF 5 LAKHS	10.90%
INE244B07243	10.25% PATEL ENGINEERING LTD. 2028	30% 26-AUG-2027; 30% 26-FEB-2028; 40% 25-AUG-2028	MONTHLY	IND A-	MULTIPLE OF 5 LAKHS	10.75%

*Above mentioned rates are tentative as on 14th Oct'25 & subject to change as per market conditions. Kindly check the availability of before closing the deal | Please refer to T&Cs | IP: Interest Payment

Thank You!

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***Such representations are not indicative of future results.**

Investment in securities market are subject to market risks, read all the related documents carefully before investing.