Envision Capital

India’s Growth: Staying Course

Envision Capital I June 2026



A Measured Pause Amid Global Uncertainty

The Reserve Bank of India's June policy meeting reflected a balanced assessment of the economy—one that acknowledges emerging risks while remaining confident in India's long-term fundamentals.

The RBI kept the policy repo rate unchanged at **5.25%**, signalling its preference to monitor evolving global developments before making further adjustments. At the same time, it projected **FY26-27 GDP growth at 6.6%**, compared with an estimated **7.6% growth in FY25-26**.

Inflation, which has moderated significantly over the last year, currently stands at approximately **3.5%**. However, the central bank expects inflation to average around **5.1% in FY26-27**, reflecting the possibility of renewed price pressures.

While the headline numbers suggest some moderation from the exceptionally strong growth witnessed over the last few years, they should be viewed in context. In a world where many major economies continue to struggle with sub-2% growth, India remains one of the fastest-growing large economies globally.

> **"Growth may normalize, but India's structural growth story remains firmly intact."**

Risks Worth Watching

The RBI's forecasts are based on a relatively stable global backdrop. However, several factors could influence both growth and inflation over the coming quarters.

Rising Energy Prices

The recent rise in crude oil prices has once again brought energy security into focus. Brent crude is currently trading around **$86 per barrel**.

While this represents a meaningful increase from recent lows, it remains within India's historical comfort zone. More importantly, India's diversified sourcing strategy, improving

energy infrastructure, and healthy reserve position provide an important cushion against near-term shocks.

Supply Chain Disruptions

Geopolitical tensions across multiple regions continue to create uncertainty around global trade routes and logistics networks. Any prolonged disruptions could affect input costs for manufacturers and delay production cycles.

Fortunately, India enters this phase from a position of relative strength, with domestic demand contributing a growing share of economic activity.

Weather and Monsoon Risks

The possibility of below-average rainfall remains another key variable to monitor. Agriculture continues to influence rural incomes, food prices, and consumption patterns.

A weaker-than-expected monsoon could place upward pressure on food inflation and impact certain rural-facing sectors. While irrigation coverage and rural infrastructure have improved significantly over the years, weather remains an important macroeconomic variable.

High-Frequency Indicators Continue to Signal Strength

Despite global uncertainty, India's real economy continues to display encouraging momentum.

India's EV Transition Accelerates

Electric vehicle adoption continues to gather pace.

According to FADA data, **EV retail sales rose 45% year-on-year in May 2026**, pushing overall EV penetration across vehicle categories above **11% for the first time**.

This milestone highlights how rapidly electrification is becoming mainstream. Rising consumer acceptance, improving charging infrastructure, and increasing model availability continue to support long-term adoption trends.

India's Digital Economy Keeps Expanding

The digital payments ecosystem continues to set new records.

During May 2026, **UPI transaction volumes crossed 23 billion transactions**, representing **24% year-on-year growth**. Transaction value reached approximately **US$313 billion**, growing **19% year-on-year**.

Few countries have built digital public infrastructure at this scale. The continued growth of UPI reinforces India's position as a global leader in digital payments and financial inclusion.

Banking Credit Growth Remains Robust

India's banking sector reported **credit growth of 16.2% year-on-year in May 2026**.

Healthy credit growth is often one of the clearest indicators of economic activity, reflecting continued demand from consumers, businesses, and entrepreneurs.

The strength in lending suggests that investment activity and consumption remain healthy despite a more uncertain global backdrop.

> **"Credit growth, digital adoption, and EV penetration continue to point toward an economy investing for the future."**

The AI Trade: Threat, Opportunity, or Both?

Globally, capital markets remain captivated by the artificial intelligence theme.

From semiconductor manufacturers and cloud infrastructure providers to AI software platforms, investors around the world continue to allocate capital toward businesses expected to benefit from the AI revolution.

Against this backdrop, an interesting divergence has emerged.

While global capital continues to gravitate toward AI-linked investment themes, domestic institutional investors have remained steadfast in their commitment to Indian equities, investing approximately **₹4,000 crore every trading day during calendar year 2026**.

This raises an important question for India: *What does AI mean for Indian businesses?*

The IT Services Debate

Much of the discussion has centred around India's IT services industry.

The concern is understandable. Large IT companies that have historically grown at mid-single-digit rates could face pressure as AI automates coding, testing, maintenance, and several routine technology functions.

However, the conversation is often framed too narrowly.

While AI may reduce demand for certain traditional services, it is simultaneously creating a significant new opportunity. Most enterprises globally still lack the expertise, talent, and internal capabilities required to successfully deploy AI across their organizations.

The challenge is no longer access to AI models—it is implementation.

This creates an opportunity for IT companies that can evolve from being traditional outsourcing providers into strategic AI implementation and consulting partners.

Organizations will need help redesigning workflows, integrating AI into existing systems, training employees, ensuring governance, and managing large-scale change.

The firms that successfully make this transition could not only sustain growth but potentially create entirely new revenue streams.

> **"The winners may not be the companies building AI models, but those helping enterprises deploy AI at scale."**

India's Emerging AI Opportunity

India may not yet have globally dominant AI-creation companies comparable to some of the world's largest technology giants.

However, that does not mean India is absent from the AI opportunity.

In fact, some of the most exciting developments are occurring within India's rapidly growing digital platform ecosystem.

Across sectors such as financial services, consumer internet, healthcare, logistics, education, and commerce, companies are increasingly embedding AI into their products and customer journeys.

These businesses are using AI to personalize experiences, improve decision-making, automate workflows, enhance customer support, optimize marketing, and create entirely new products and services.

The opportunity lies not only in building foundational AI models but also in applying AI effectively to solve real-world problems at scale.

India's large digital user base, deep pool of engineering talent, and rapidly expanding technology ecosystem provide a strong foundation for this next phase of innovation.

Looking Ahead

The months ahead will undoubtedly bring their share of challenges. Energy prices remain elevated, supply chains face periodic disruptions, and inflation risks have not fully disappeared.

Yet beneath the headlines, India's core growth drivers remain remarkably resilient.

Digital adoption continues to accelerate. Credit growth remains healthy. Manufacturing investments are expanding. Electrification is gaining momentum. And companies across sectors are beginning to explore the transformative potential of artificial intelligence.

Volatility will always be part of investing.

What matters more is whether the long-term foundations remain intact.

Today, those foundations appear as strong as ever.

India's structural growth opportunity remains firmly in place—and the next decade of value creation is likely to be driven by the same forces that continue to reshape the economy today: formalization, digitization, financialization, and rising aspirations.

The next frontier, however, is innovation. SpaceX's recent achievement of becoming a $2 trillion company underscores the extraordinary value that can be created when innovation is paired with ambition and execution. For India, fostering a deeper culture of innovation and supporting the emergence of globally competitive technology-led businesses could become an equally important driver of growth over the coming decade.

Warm regards,

Tanay Shah

Vice President, Investments & Strategy
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Track Record

	Envision India Opportunities Portfolio	Benchmark BSE 500 TRI Index	Alpha
Since Inception*	15.10%	13.20%	190 bps
5 Years	14.08%	12.29%	179 bps
4 Years	16.12%	13.31%	281 bps
3 Years	15.46%	13.46%	200 bps
2 Years	6.30%	4.14%	216 bps
1 year	2.26%	-0.07%	233 bps

Source: Envision Capital & Axis Fund Accounting Team. Since inception date 05 April 2021. Performance is as on May 31, 2026 and is calculated as per TWRR method and returns more than 1 year are annualized. Returns are net of fees and expenses. Please note that performance of your portfolio may vary from that of other investors and that generated by the Investment Approach across all investors because of 1) the timing of inflows and outflows of funds; 2) Differences in the portfolio composition because of restrictions and other constraints. **Returns from BSE website

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