Envision Capital

India: Turbulence on the Surface, Momentum Beneath

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A Difficult Month for Markets

September was a challenging month for Indian equities, with the broader market declining sharply as a combination of geopolitical uncertainty, rising crude oil prices and concerns around the monsoon weighed on investor sentiment. The BSE 500 declined by approximately **5.6% during the month**, reflecting a broad-based risk-off environment.

Crude oil emerged as a particularly significant headwind. Brent moved decisively above **$100 per barrel**, amid renewed supply disruptions and geopolitical tensions in West Asia.

At the same time, concerns around rainfall—with the monsoon averaging **below normal**—added to uncertainty around food inflation and rural demand.

These factors collectively weakened market sentiment despite underlying economic activity remaining relatively resilient.

Periods such as these are an important reminder of the distinction between **markets and the economy**. Markets react quickly to changes in expectations, liquidity and risk perception. Structural economic trends evolve much more gradually.

And beneath September's market volatility, India's high-frequency indicators continued to demonstrate a relatively robust picture.

High-Frequency Indicators: Resilience Beneath the Volatility

Economic activity remained healthy across manufacturing, consumption, credit, digital payments and power demand during September.

GST Collections: Gross GST collections increased **14.7% YoY to $21.3 billion**, supported by steady domestic transactions.

Manufacturing: India's Manufacturing PMI rebounded to **55.1 in September from 52.8 in August**, driven by stronger output and new orders.

Power Consumption: Electricity consumption increased **11.4% YoY to 162 billion units**, while peak power demand reached **269 GW**, compared with 229 GW a year earlier.

Digital Payments: UPI processed **24.07 billion transactions**, up **23% YoY**, while transaction value increased **18% YoY to $307.5 billion**.

Credit Growth: Banking sector credit expanded **18.1% YoY** in mid-September, continuing to reflect healthy demand for capital across the economy.

Foreign Exchange Reserves: India's forex reserves stood at a robust **$747.6 billion** towards the end of September, providing an important buffer against external volatility.

Automobiles: Passenger vehicle volumes grew approximately **23% YoY**, two-wheeler volumes increased approximately **12%**, while commercial vehicle volumes rose approximately **27%**, supported by freight demand, replacement activity and infrastructure spending.
The divergence is noteworthy. While financial markets responded to external risks, activity across several parts of the domestic economy continued to expand at a healthy pace.

From Cycles to Structure: Where India Is Building for the Next Decade

Beyond monthly economic indicators, September also saw meaningful developments across some of the industries that could increasingly shape India's next phase of growth.

Semiconductors & Digital Infrastructure: From Ambition to Execution

India's semiconductor journey is beginning to move from policy announcements towards actual manufacturing.

SEMICON India 2026 concluded with **56 MoUs and announcements**, with participation from more than 600 exhibitors across 52 countries. More importantly, **5 of the 12 projects approved under the India Semiconductor Mission are now in commercial production**.

Alongside semiconductor manufacturing, India's digital infrastructure continues to expand rapidly. Data-centre capacity has increased from approximately **400 MW in 2019 to around 1,789 MW in H1 2026**, with Mumbai alone approaching 1 GW of capacity.

The opportunity extends well beyond data-centre operators themselves. Rising computing requirements—particularly from AI—create downstream demand for power generation, transmission, cooling systems, electrical equipment and specialised real estate.

Globally, however, the AI conversation is also evolving. The scale of infrastructure investment remains extraordinary, but investors are increasingly asking a second question: **what returns will this enormous capital expenditure ultimately generate?**

For India, this creates an interesting intersection. The AI investment cycle remains a powerful driver of digital infrastructure, while India's opportunity increasingly lies in enabling that infrastructure at scale.

Defence: Increasing the Role of Indian Industry

India's defence indigenisation programme took another significant step forward during September.

The Defence Acquisition Council granted Acceptance of Necessity for approximately **₹1.10 lakh crore** of procurement across the three armed services, with roughly **98% of the value expected to be sourced domestically**.

Equally significant is the changing role of the private sector. DRDO introduced a framework allowing licensed Indian companies greater access to software source code and technology, complementing the more than **2,300 transfers of technology to approximately 1,100 firms** already undertaken.

This represents a broader evolution of India's defence ecosystem—from importing platforms, to assembling domestically, to increasingly developing indigenous technologies and intellectual property.

The opportunity is therefore gradually expanding beyond large defence platforms into electronics, radars, communications, propulsion systems, precision components and software.

Healthcare: Domestic Growth Meets Global Innovation

September also highlighted the increasingly two-sided opportunity within Indian healthcare.

Despite uncertainty around US pharmaceutical tariffs, **generics and biosimilars remain exempt from the 100% tariff imposed on patented pharmaceutical imports**, an important distinction for India's pharmaceutical industry.

Meanwhile, India's domestic pharmaceutical market delivered one of its strongest months in recent years. Industry trackers estimated September growth at approximately **13.5%–17% YoY**, with particularly strong momentum across chronic therapies.

The rapid adoption of semaglutide following patent expiry also illustrates another structural trend. Generic products already account for approximately **74% of monthly semaglutide volumes in India**, while monthly injectable volumes increased from 63,000 units in March to 273,000 in September.

Affordability is also becoming an increasingly important part of India's healthcare policy framework. **Price caps on anti-cancer drugs manufactured by pharmaceutical companies are set to be implemented in early November**, aimed at reducing the cost burden of cancer treatment. The policy also places greater emphasis on **pricing transparency at hospitals**, with revised pricing expected to provide patients with greater visibility into treatment costs.

Taken together, these developments point towards a broader evolution of Indian healthcare—where innovation and expanding domestic demand are increasingly being accompanied by efforts to improve affordability and access.

The Energy Transition Moves to the Grid

India's renewable energy transition is also entering a new phase.

Total renewable capacity, including large hydro, reached approximately **299 GW** by the end of September. Solar capacity alone stood at approximately **171 GW**, following the addition of more than 20 GW during the first six months of FY27.

But as renewable generation scales, the bottleneck is increasingly shifting from simply adding solar and wind capacity to **storing and transmitting that power reliably**.

Grid-scale battery storage capacity reached approximately **13.5 GWh**, while **143 GWh has already been tendered** and another 49.3 GWh is under construction.

The government has also outlined the third phase of the **Green Energy Corridor**, aimed at enabling the evacuation of **135 GW of renewable power by FY32–33**. The programme envisages approximately **$19.2 billion of investment** across intra-state transmission infrastructure and battery storage.

The next leg of India's energy transition may therefore be as much about **grids, storage and transmission** as it is about generating renewable power.

Volatility Does Not Change the Direction of Travel

September offered two very different pictures of India.

Financial markets were confronted with rising crude oil prices, geopolitical uncertainty and weather-related concerns. Yet beneath this volatility, GST collections grew double digits, manufacturing accelerated, credit expanded, digital payments continued to scale and automobile demand remained healthy.

At the same time, India continued investing in capabilities that may shape the coming decade—from semiconductors and AI infrastructure to defence manufacturing, healthcare and renewable energy infrastructure.

Near-term volatility is inevitable, particularly in an increasingly uncertain global environment. But it does not necessarily alter the trajectory of structural change.

For long-term investors, the objective is therefore not to predict every market move, but to identify the businesses positioned to participate in these structural shifts—and to remain patient enough to allow those opportunities to compound.

“Markets move with sentiment. Value compounds with development.”

Warm regards,

Tanay Shah

Vice President, Investments & Strategy
Envision Capital

Track Record

	Envision India Opportunities Portfolio (IOP)	Benchmark BSE 500 TRI Index	Alpha
Since Inception*	15.95%	11.95%	400 bps
5 Years	12.74%	8.91%	383 bps
4 Years	16.06%	11.22%	484 bps
3 Years	12.06%	9.20%	286 bps
2 Years	0.77%	-3.93%	470 bps
1 year	5.26%	-2.33%	759 bps

	Envision New Frontiers Portfolio (NFP)	Benchmark BSE 500 TRI Index	Alpha
Since Inception*	15.89%	-6.46%	2235 bps
6 months	20.46%	8.07%	1239 bps
3 months	4.78%	-3.59%	837 bps
1 month	-3.72%	-5.57%	185 bps

Source: Envision Capital & Axis Fund Accounting Team. *Since inception date 05 April 2021 (IOP) and 16 December 2025 (NFP) respectively. Performance is as on September 30, 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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