Envision Capital

India: Tighter Money, Stronger Foundations

Envision Capital | November 2026



A Calmer Month, a Tighter Stance

October was a calmer month for Indian equities after September's sharp correction. The BSE 500 ended the month marginally lower, declining by approximately **0.9%**, as markets digested a more hawkish Reserve Bank of India, firmer inflation and continued volatility in the rupee.

The defining macro event of the month was the RBI's decision to raise interest rates for the first time in this cycle. Higher rates typically weigh on market sentiment in the near term. But the context of the decision matters as much as the decision itself.

The RBI tightened policy while simultaneously **raising its growth forecast**. That is the profile of an economy strong enough to absorb tighter money, not one being rescued from weakness.

And as the festive season got underway, the high-frequency indicators pointed to an economy that continued to expand at a healthy pace.

Macro Update: The RBI Turns to Calibrated Tightening

At its October policy meeting, the Monetary Policy Committee voted unanimously (6–0) to raise the repo rate by **25 basis points to 5.50%** from 5.25%, and changed its stance from "neutral" to **"calibrated tightening"**.

The move follows a steady rise in prices. Headline CPI inflation increased to **5.54% in September**, still within the RBI's 2%–6% tolerance band but closer to its upper end. The RBI raised its FY27 inflation forecast to **5.2%** from 5.0%.

Importantly, the RBI also raised its FY27 GDP growth forecast to **7.1% from 6.7%**, signalling confidence that domestic demand remains robust enough to withstand tighter financial conditions.

The rupee was volatile through the month but finished stronger at **94.95 per US dollar**, supported by RBI measures.

On the policy front, the government announced a **$1.05 billion container manufacturing promotion scheme**, aimed at lifting domestic capacity from about 70,000 TEUs a year to **7.5 lakh TEUs**, through operating support for containers built to global standards and interest subsidies for new plants and expansions. It is another example of India building capability in parts of the supply chain long dominated by imports.

High-Frequency Indicators: Festive Demand Gathers Pace

Economic activity remained firm across consumption, manufacturing, credit, digital payments and power demand during October, supported by the start of the festive season.

GST Collections: Gross GST collections increased **22.9% YoY to $24.2 billion**, on the back of a surge in import taxes and stable growth in domestic transactions.

Manufacturing: India's Manufacturing PMI eased marginally to **54.7 in October from 55.1 in September**, remaining firmly in expansion territory.

Power Consumption: Electricity consumption increased **21.9% YoY to 160 billion units**, while peak power demand reached **261 GW**, compared with 211 GW a year earlier.

Digital Payments: UPI processed a record **25.47 billion transactions, up 23% YoY**, while transaction value increased **16% YoY to $330 billion**. Average daily transaction value crossed ₹1 lakh crore for the first time.

Credit Growth: Banking sector credit expanded **18% YoY in mid-October**, continuing to reflect healthy demand for capital across the economy.

Foreign Exchange Reserves: India's forex reserves stood at **$720 billion** in the last week of October.

Automobiles: Passenger vehicle volumes grew approximately **13% YoY** on a strong base, two-wheeler volumes increased approximately **15%** as dealers built inventory ahead of the festive season, while commercial vehicle volumes rose approximately **14%**.

Higher interest rates have not yet dented activity. If anything, October's data suggest that demand entered the festive season with momentum.

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

Beyond the monthly data, October brought quarterly results and policy decisions that shed further light on the structural themes shaping India's next phase of growth.

AI & Digital Infrastructure: From Promise to Revenue

The September-quarter results of India's IT services companies showed AI becoming a measurable part of the business. AI now accounts for more than **10% of revenue** at both TCS, whose annualised AI revenue reached **$3.1 billion**, and Infosys, where AI revenue grew **29% sequentially**.

Overall growth, however, remained modest: TCS grew 2.8% YoY in constant currency and Infosys 1.5%. For now, AI appears to be reshaping technology budgets as much as expanding them.

Globally, the scale of investment continues to rise. 2026 capital expenditure guidance from Amazon, Alphabet, Microsoft and Meta adds up to roughly **$720–740 billion**, up nearly 78% from 2025. Yet in the September quarter, capex exceeded operating cash flow at three of the four, and the market's question is shifting from how much is being spent to how it will be funded.

India continues to position itself as an enabler of this build-out. Jabil and Adani Enterprises agreed to explore a 50:50 joint venture to manufacture AI servers, storage and networking equipment in India; CtrlS announced a **150 MW data centre in Bihar**; and Tata

Communications plans to invest **$450 million** in 10,000 km of AI-ready fibre. India's chip packaging plants have also begun exporting.

Defence: Bigger Orders, Wider Reach

The Defence Acquisition Council granted Acceptance of Necessity for approximately **₹2.12 lakh crore** of procurement on 26 October, the largest tranche this financial year and nearly double September's approvals, with roughly **82%** expected to be sourced from Indian industry.

The approvals span self-propelled guns, light multi-role helicopters, short-range air defence, counter-drone systems and long-range loitering munitions for the Army, decoy systems for the Navy, and helicopters and air-defence systems for the Air Force.

Contract signings also continued, including advanced low-level radars from BEL capable of detecting mini and micro drones, the GSAT-7C communications satellite and Varunastra heavyweight torpedoes.

The export opportunity is growing too. India's defence exports reached a record **₹38,424 crore in FY26**, up around 63%, with BrahMos exports alone expected to cross **$600 million**. India is evolving from a buyer of defence equipment into a supplier of it.

Healthcare: Domestic Strength, Global Questions

Quarterly results highlighted a clear divergence within Indian pharmaceuticals. Sun Pharma's India formulations business grew **17.3%**, lifting its domestic market share to 8.6%, even as its US formulation sales declined 8.2%. Dr. Reddy's saw North American revenue fall roughly 23% YoY as a key product faced generic competition.

On trade policy, generics and biosimilars remain exempt from the 100% US tariff on patented drugs, and select speciality categories from India—including orphan drugs and cell and gene therapies—qualify for zero duty. A previously announced, but not yet implemented, plan to tariff generic imports from 2028 remains the key overhang.

Meanwhile, the frontier of drug discovery continues to move. At the ESMO oncology congress in October, Insilico Medicine presented the first human data for a cancer drug designed using generative AI, with early responses in heavily pre-treated patients. The sample is small, but it marks a notable step in AI moving from the lab into the clinic.

Festive Consumption: A Shift in the Calendar, Not in Demand

With Dhanteras and Diwali falling in November this year, October's festive data need to be read carefully. Vehicle retail registrations declined 23.8% YoY against a high base, yet rose **25% month-on-month** to the second-best October on record, while electric vehicle retail reached a record of approximately 3.55 lakh units.

Online spending was particularly strong. E-commerce platforms recorded sales of approximately **₹24,000 crore** in the first two days of the festive sales, with around two-thirds

of shoppers coming from Tier 2 cities and smaller towns. Full-season online sales are projected to grow around **25%**.

Consumers are also becoming more value-conscious. Gold sales during Dhanteras were estimated at approximately **₹60,000 crore**, up 15–20% in value, while volumes were broadly flat as buyers shifted towards lighter jewellery and smaller coins.

The Energy Transition: Storage Takes Centre Stage

Following last month's focus on the grid, policy support for energy storage stepped up meaningfully in October. The Union Cabinet earmarked **₹6,000 crore** of viability gap funding to support **50 GWh** of battery storage under the third phase of the Green Energy Corridor.

Tamil Nadu went further, mandating that new solar and hybrid projects of 1 MW and above install battery storage equal to at least **10% of capacity**, with four hours of discharge.

Solar capacity reached approximately **174.8 GW** by the end of September, up nearly 40% YoY, while domestic solar cell manufacturing capacity on the government's approved list rose to **44.9 GW**.

The sector is not without headwinds. Higher interest rates raise financing costs for developers, while a US trade ruling has opened the door to duties on Indian solar cell exports. These are reminders that even structural themes move in cycles.

A Tighter Backdrop, an Unchanged Direction

October presented a different kind of test from September. Instead of external shocks, investors had to adjust to tighter monetary policy and firmer inflation.

Yet the underlying picture remained encouraging. GST collections grew at their fastest pace in over four years, digital payments set new records, credit expanded and festive demand gathered momentum. At the same time, India continued to deepen its capabilities—from AI infrastructure and defence exports to energy storage and domestic manufacturing.

Interest rate cycles come and go. The structural forces reshaping India's economy tend to persist well beyond them.

For long-term investors, the task remains the same: to stay anchored to businesses with durable advantages, and to allow time to do the compounding.

"Policy sets the pace. Fundamentals set the direction."

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*	14.92%	11.59%	333 bps
5 Years	12.26%	8.65%	361 bps
4 Years	14.18%	9.87%	431 bps
3 Years	10.91%	9.94%	97 bps
2 Years	0.99%	-1.11%	210 bps
1 Year	-3.06%	-7.15%	409 bps

	Envision New Frontiers Portfolio (NFP)	Benchmark BSE 500 TRI Index	Alpha
Since Inception*	14.08%	-7.28%	2136 bps
6 Months	12.07%	-2.95%	1502 bps
3 Months	-0.13%	-6.49%	636 bps
1 Month	-1.56%	-0.87%	-69 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 October 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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