samriddhi
Investment Fund



MARKET IMPACT REPORT

AUGUST 2026

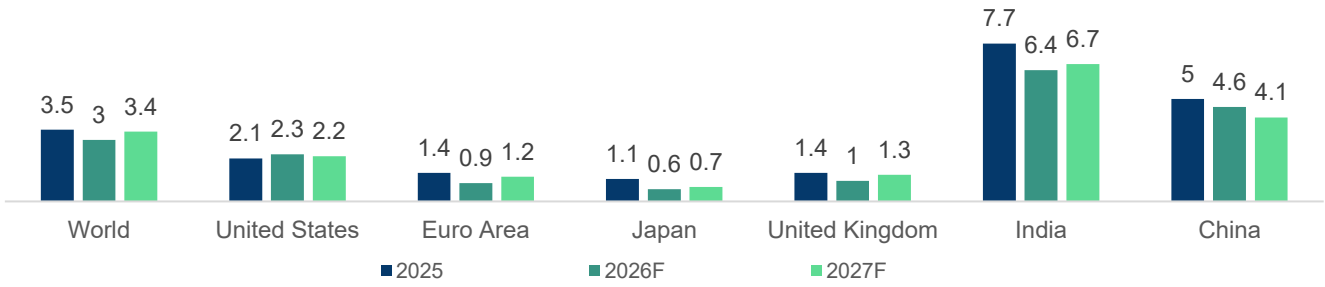
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Global Economic Overview

The global economy is expected to grow at a steady, though moderate, pace over the coming years. According to the IMF's July 2026 World Economic Outlook Update, global growth is projected at 3.0% in 2026 and is expected to improve slightly to 3.4% in 2027. However, these growth rates remain below the pre-pandemic average of 3.7%, highlighting the continued challenges facing the global economy.

The recovery remains uneven across countries. The United States benefits from technology-related investment, while Korea, Malaysia, Taiwan and Thailand are supported by semiconductor, data-centre and AI-hardware exports. India remains among the fastest-growing major economies, driven by consumption and services, but remains exposed to imported-energy costs. By contrast, the euro area, United Kingdom and Japan face weaker momentum from higher energy prices and subdued demand, while Iraq, Kuwait and Qatar have been hit by disruptions to output and transport. Inflation is projected to rise from 4.1% in 2025 to 4.7% in 2026 before easing to 3.9% in 2027.

Exhibit 1: Real GDP Growth Outlook, 2025–2027 (%)



Source: IMF World Economic Outlook Update, July 2026

Key Forces Shaping the Global Outlook

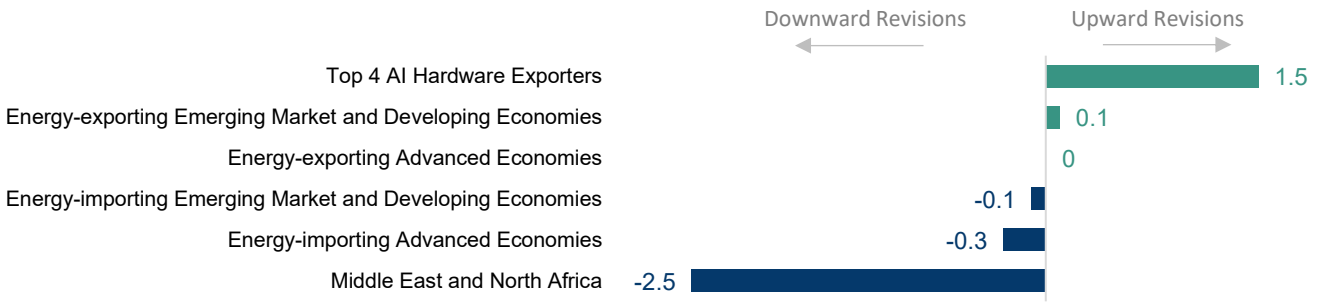
Trade fragmentation: The US tariff regime has shifted from IEEPA-based tariffs toward measures under Sections 122, 232 and 301 following the Supreme Court's February 2026 ruling. The average effective US tariff rate is estimated at 6.6% for 2026, the highest since 1969, adding to uncertainty around trade, investment and global supply chains.

Energy and geopolitical risks: Brent crude rose sharply following the outbreak of the Middle East conflict, reaching around $118 per barrel by the end of March. Prices have since eased, but renewed disruptions around the Strait of Hormuz continue to pose risks to energy supply, inflation and global growth.

AI-driven capex boom: Strong AI investment continues to drive demand for semiconductors and data-centre infrastructure. Omdia expects global semiconductor revenue to grow 94.1% in 2026, led by strong demand for memory and AI-related chips, with supply constraints likely to persist through 2027.

China's deflation challenge: Weak domestic demand and persistent producer-price deflation continue to weigh on China's economy, with the property downturn remaining a drag on household confidence. Growth is still being supported by exports and high-tech manufacturing, highlighting the challenge of rebalancing toward stronger domestic consumption.

Exhibit 2: How Energy and Artificial Intelligence Are Shaping Growth Outlooks



Source: IMF World Economic Outlook, Note: Revision to cumulative 26–27 GDP growth forecast vs Jan 2026 WEO (percentage points)

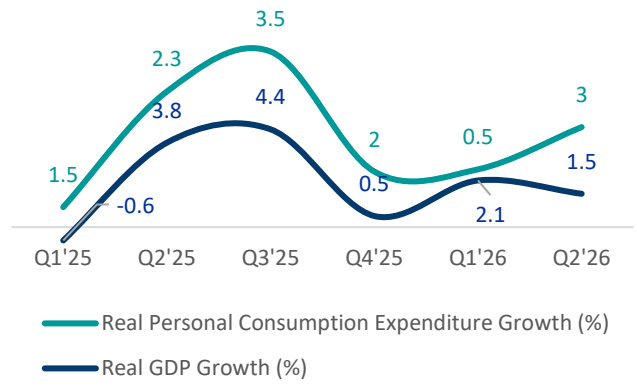
US Economy

The US economy is entering the second half of 2026 with slower but still positive growth. Real GDP growth moderated from 2.1% in Q1 2026 to 1.5% in Q2, although underlying domestic demand remained relatively resilient, with real final sales to private domestic purchasers accelerating to 3.9%. Looking ahead, growth is likely to remain below its recent trend as tariff-related cost pressures, softer employment and immigration growth, and tighter federal spending weigh on activity. The OECD projects US real GDP growth of around 1.7% in 2026, while continued strength in AI-related investment, private-sector capital expenditure and gradually easier monetary conditions should provide an offset.

Consumer Spending

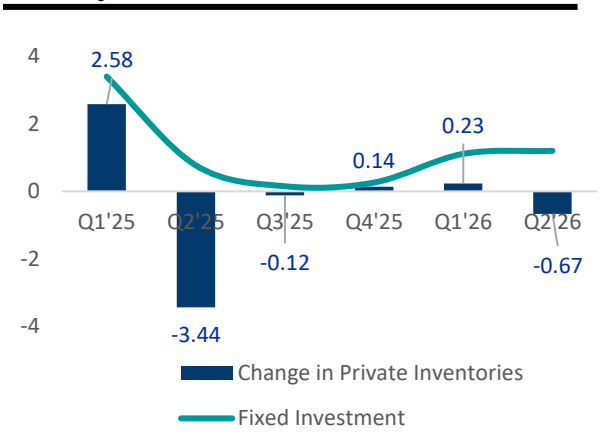
Personal consumption growth weakened in Q4 2025 and remained relatively subdued in Q1 2026, reflecting slower growth in real disposable income and softer household demand. However, consumption rebounded in Q2 2026 and became an important support to GDP growth, partly offsetting weaker government spending and slower investment. Within consumption, services remained more resilient than goods, although their pace of growth moderated from Q1 before stabilising in Q2. In June 2026, personal consumption expenditures increased by $65.2 billion (0.3% m/m), with services accounting for $58.2 billion of the increase and goods for $7.0 billion. Healthcare spending alone increased by $22.8 billion, while spending on gasoline and other energy goods declined by $48.1 billion, highlighting a continued shift in the composition of household spending toward services. Overall, consumer demand remains resilient, but the relatively low 2.7% personal saving rate and slower income growth suggest that the pace of consumption may moderate going forward.

Exhibit 3: US GDP Growth vs Consumer Spending



Source: U.S. Bureau of Economic Analysis

Exhibit 4: Private Domestic Investment: Inventory Volatility vs. Fixed Investment



Source: U.S. Bureau of Economic Analysis

Private Domestic Investment

Gross private domestic investment has remained volatile, largely due to sharp swings in private inventories, while fixed business investment has remained comparatively resilient. In Q2 2026, investment increased despite a decline in inventories, with growth driven mainly by equipment and intellectual property products, while nonresidential structures remained a drag. Business fixed investment also grew strongly, rising at an annual rate of 11% in Q1 2026, following 5.5% growth in 2025, with much of the strength concentrated in AI-related infrastructure, data centres, equipment and software.

Going forward, continued AI investment, favourable corporate financing conditions and tax incentives for capital expenditure should support business investment. However, elevated policy uncertainty, weaker investment outside AI-related sectors and tighter financing conditions for smaller firms could limit a broader-based investment cycle. Overall, fixed investment is likely to remain a key support for US growth, even as inventory movements continue to create quarter-to-quarter volatility.

The Impact on Indian Economy

The US slowdown is likely to have a mixed impact on India, with resilient domestic demand providing a buffer against weaker external conditions. The Indian IT sector continues to benefit from higher AI and technology spending, but the recovery is becoming more uneven as clients demand greater productivity at lower costs. India's technology industry grew around 6.1% in FY26, while large IT firms continue to face pressure from AI-led changes in traditional outsourcing models.

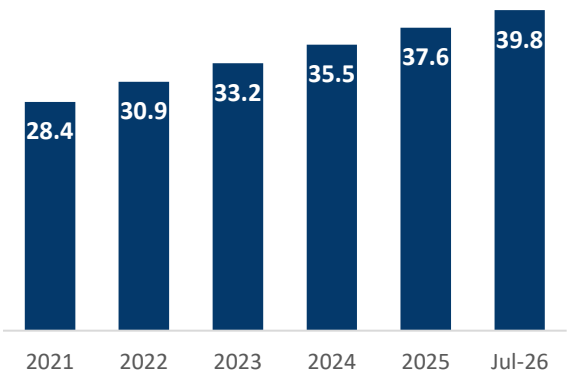
Foreign portfolio flows have also remained volatile rather than consistently turning positive. While FPIs have returned selectively to Indian equities in August, India has still recorded substantial equity outflows in 2026, with foreign investors increasingly favouring other Asian markets. Domestic institutional investors have provided an important counterbalance. The rupee has also weakened significantly: it was around ₹95.7/USD on August 25, 2026, compared with the ₹85.83 level cited in your earlier paragraph.

Exhibit 6: Trend of FPI Investment in India (INR cr)

Month	Net Inflow/(Outflow)
January 2026	(₹35,962 crore)
February 2026	₹22,615 crore
March 2026	(₹1,17,775 crore)
April 2026	(₹60,847 crore)
May 2026	(₹32,963 crore)
June 2026	(₹49,340 crore)
July 2026	₹20,200 crore

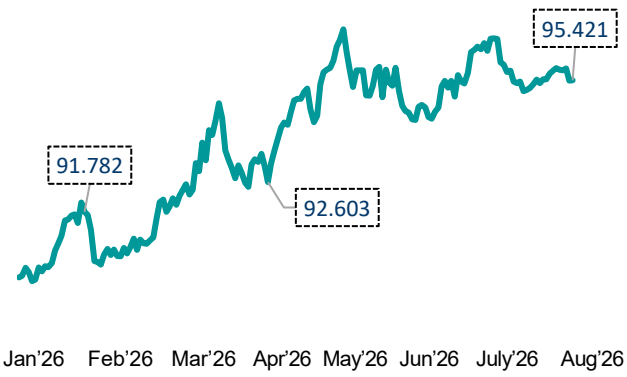
Source: National Securities Depository Limited

Exhibit 5: Trend of US Debt (USD tn)



Source: U.S. Department of the Treasury, Fiscal Data

Exhibit 7: Trend of USD/INR (₹)



Source: Investing.com

What To Expect From The US Economy

Looking ahead, the US economy is expected to remain resilient but uneven through the remainder of 2026. Although real GDP growth slowed to 1.5% in Q2 2026, consumer spending accelerated to 3.4% and underlying private domestic demand remained considerably stronger, suggesting that the economy is not entering a broad-based contraction. The Federal Reserve's June projections put 2026 real GDP growth at 2.2%, indicating expectations of continued expansion.

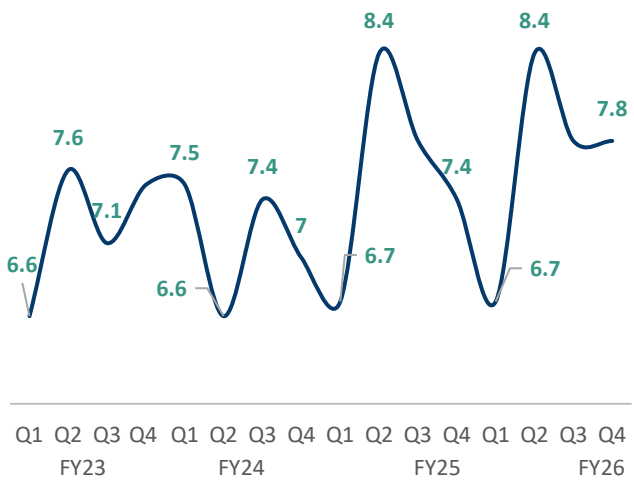
However, the outlook remains subject to significant risks. Inflation remains above the Fed's 2% target, with July PCE inflation at 3.7% and core PCE at 3.3%, limiting the scope for rapid monetary easing. Consumer confidence also weakened in August, reflecting greater concerns about future business and labour-market conditions. At the same time, AI-led business investment remains a major source of support, while tariffs, elevated prices and uncertainty around monetary policy could weigh on consumption and investment. Overall, the US economy is likely to continue expanding, but at a moderate and uneven pace, with resilient domestic demand and business investment offsetting weaker trade and persistent inflationary pressures.

Indian Economy

India enters FY27 on a stronger footing, but with the policy mix shifting from monetary easing toward investment and reform led growth. Real GDP growth is estimated at 7.6% in FY26, while the RBI has raised its FY27 growth forecast to 6.7%, reflecting resilient domestic demand even as global uncertainty remains elevated. After cumulative 125 bps of rate cuts in 2025, the repo rate has been held at 5.25% for four consecutive reviews, signalling a data dependent pause as inflation risks and external shocks remain in focus. The key test for FY27 will be whether strong public capex and consumption translate into a broader private investment cycle, while a sustained oil shock, renewed food and input inflation, rupee pressure and weaker global trade could constrain growth and limit the RBI's room for further easing.

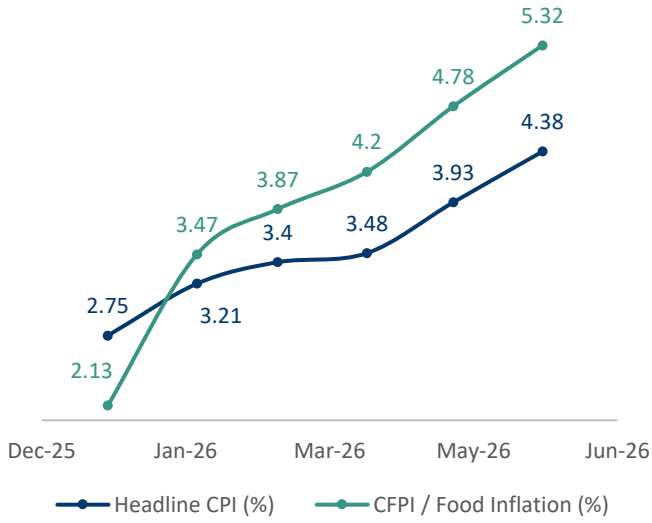
5.25%	4.3%	₹2.16L cr	7.6%
RBI Repo Rate (Aug'26)	Fiscal deficit, FY27 (BE)	PLI Investment (cumulative)	Real GDP growth, FY26

Exhibit 8: Quarter-wise Real GDP Growth Rate (%)



Source: MoSPI

Exhibit 9: All India Inflation Rates for CPI and CFPI



Source: PIB

Fiscal Policy

Fiscal policy is balancing consolidation with continued public investment: the FY27 Budget targets a 4.3% fiscal deficit while raising central capital expenditure to a record ₹12.22 lakh crore, sustaining infrastructure investment as a key driver of medium-term growth. At the same time, tax and structural reforms are shifting the growth mix toward consumption, formalization and domestic manufacturing. GST 2.0 has simplified the indirect-tax structure, while PLI schemes across 14 sectors have attracted ₹2.16 lakh crore of investment, generating more than ₹20.4 lakh crore in cumulative production/sales and strengthening India's manufacturing and export base.

The FY27 story is therefore less about restarting growth and more about sustaining its quality: converting resilient consumption into a durable private-investment cycle, deepening manufacturing and export competitiveness, and maintaining fiscal consolidation without weakening demand. The key challenge is reviving private capex: FY27 private corporate capex intentions are estimated at ₹9.55 lakh crore, down 16.5% from FY26, even as central government capex rises to ₹12.2 lakh crore. External risks have also intensified, with crude oil around $90/bbl and the rupee down more than 6% against the dollar in 2026, raising risks to inflation, margins and domestic demand. The upside lies in stronger private capex, infrastructure execution, manufacturing and continued formalisation.

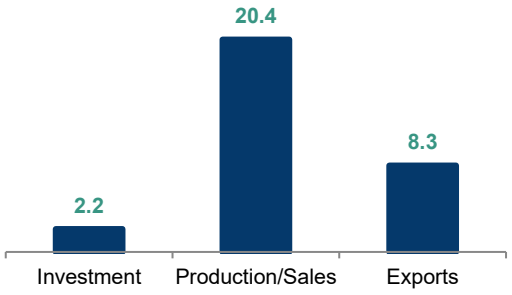
Monetary Policy: The Details

Rate Cuts	RBI cut rates 5 times in 2025, taking the repo rate from 6.5% to 5.25%. Since then, it has held steady for 4 meetings straight. Next decision: Oct 5–7, 2026.
More Cash for Banks	RBI also let banks keep less money locked up with it (a CRR cut). This frees up cash for banks to lend more, without touching the interest rate itself.
Prices & Growth	Prices were very low in mid-2025 (inflation at 2.1%) but have since risen to 4.38%. RBI expects 6.7% growth in FY27, with prices peaking soon before cooling off.

Fiscal Policy: This Year vs Next Year

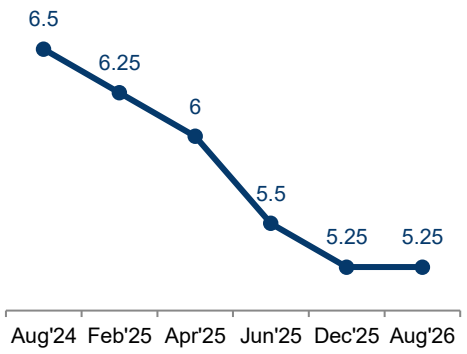
What	FY26 (Revised)	FY27 (Budgeted)
Deficit (borrowing gap)	4.4% of GDP	4.3% of GDP
Total govt. spending	₹49.6 lakh cr	₹53.5 lakh cr
Infrastructure spending	₹11.0 lakh cr	₹12.2 lakh cr
Total govt. debt	56.1% of GDP	55.6% of GDP

Exhibit 10: PLI Scheme Scale-Up (₹ Lakh Crore, Cumulative)



Source: PIB, DPIIT (as on 31 Dec 2025).

Exhibit 11: RBI Repo Rate Trajectory (%)



Source: RBI

In simple terms: Every ₹1 of PLI investment has driven ~₹9.4 of production - the scheme's core multiplier pitch, though only 13% of committed outlay has been disbursed so far.

New Schemes Radar: What Else Is Changing

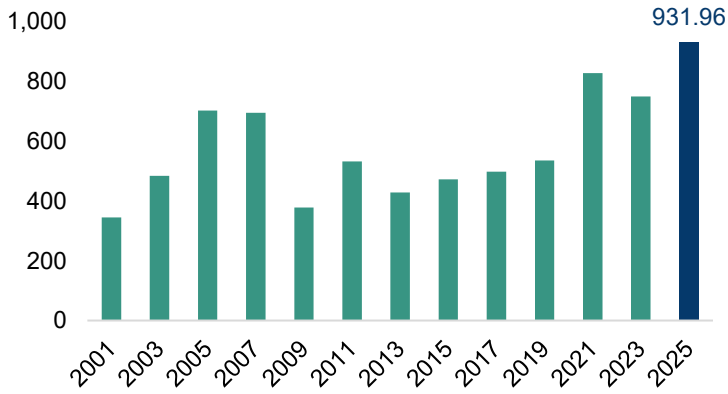
GST 2.0 (Sep 2025)	Tax slabs cut from 4 to 2 – most things are now taxed at 5% or 18% instead of a confusing mix. Meant to make shopping cheaper and boost spending.
New Labour Laws (Nov 2025)	29 old labour laws replaced by 4 simple codes. Workers now get appointment letters, timely wages and social security – even gig workers. Final rules came into force in May 2026.
Income Tax Act 2025	A simpler tax law replaces the old 1961 Act from April 2026. No income tax up to ₹12.75 lakh a year continues from Budget FY26.
Semiconductor Mission 2.0	India is pushing to make more computer chips at home, not just assemble them – a step up the manufacturing chain.
Biopharma SHAKTI	₹10,000 crore over 5 years to help India make more medicines and biotech products domestically.

Trump 2.0 Tariffs and Global Trade Realignment

Reasoning for the Tariffs:

Since returning to office in January 2025, the Trump administration has made tariffs as a central economic tool for trade deficit control. The primary agenda of weaponizing the tariffs rate card is in order to control a historic trade deficit which the U.S. has experienced for each of the last 25 years, with 2025 deficit nearly reaching a trillion dollars. The deficit of $931 Bn in 2025 was primarily a function of goods (services experienced a surplus of $328 Bn), where majority of the goods imported included computers, semiconductors, and other consumer goods.

Exhibit 12: US International Trade Deficit (In Billion USD)



Source: U.S. Bureau of Economic Analysis

The Intention: How can increasing Tariffs cause a reduction in trade deficit?

For instance, While Apple is an American company, majority of the iPhones sold in the US were assembled and imported from China. China has always had a labor-cost advantage, and the tariffs incentivize US manufacturers such as Apple to set up manufacturing plants in US by increasing the cost of importing from China.

Timeline (January 2025 to August 2026)

It is more useful to view the past 18 months as three distinct phases rather than as one continuous policy path. Across these phases, Trump adopted a hard bargaining strategy by opening with aggressive tariff threats, using them to anchor negotiations and create leverage, and subsequently recalibrating his demands as talks progressed.

Phase 1 : Tariff Escalation (Jan 2025 - Aug 2025)

Early moves included extra duties on China and a broad 'reciprocal' tariff on most countries in order to offset the trade deficits. On top of that, a general tariff of 25% was added as a penalty for countries buying Russian Oil, which hit India hard. The reciprocal tariffs combined with a penalty proposed almost a 50% tariff on Indian goods. If those rates were to sustain, Morgan Stanley expected India's GDP to take a hit of 0.4% to 0.8% percentage points.

Phase 2 : Interim India – US Agreement (Late 2025-Feb 2026)

In February 2026, an interim understanding between India and the US lowered the reciprocal rates on Indian goods to 18%, with a removal of the Russian oil penalty. That in-turn improved the forecast for India's GDP Growth by 0.2% (Leading to still a net reduction in forecast by 0.2% to 0.6%).

Phase 3 : Judicial Pushback and Shift to Alternative Tariff Tools (February 2026-Aug 2026)

Trump attempted to impose the tariffs under the International Emergency Economic Powers Act (IEEPA), a 1977 law granting the President emergency economic powers. However, in February 2026, the U.S. Supreme Court ruled that IEEPA did not authorise the President to impose reciprocal tariffs. Consequently, tariffs imposed under IEEPA were struck down, while duties imposed under separate trade laws remained applicable.

What Trump 2.0 means for India

For India, the big picture was a sharp reduction in extreme risk. The initial scenario of 50% tariffs is no longer a threat, and the current extra ~10% tariffs on a bit more than half of India's exports is manageable for most companies, especially for those who can pass on the cost or shift volumes to other countries. The remaining pressure is concentrated in labor-intensive export categories like Textile that go head-to-head with other countries such as China, Bangladesh and Indonesia who sometimes enjoy better quota or tariff treatments.

Which Indian Sectors Stand to Gain or Lose: A Portfolio View

Sector	Stance	Why
Generic Pharma	Bullish near-term Watch post-2028	Generic drugs will remain tariff free for two years from 1 August 2026. Trump has announced a 100% tariff from August 2028, rising to 200% a year later, to encourage pharmaceutical manufacturing in the US. This provides Indian exporters with a near term runway but creates substantial medium term risk, particularly for companies without US manufacturing capacity.
Textiles & Home Textiles	Underweight / Selective	Most of the category pays the extra 10% under the current forced-labour / Section 301 framework. High US-share names (home textiles in particular) face direct volume and margin pressure and compete with suppliers from countries that received better quota or rate treatment. Pure domestic or diversified names are relatively safer.
Electronics / EMS	Bullish	A large share of shipments sits outside the extra 10% net. The sector continues to benefit from China+1 relocation, PLI / ECMS incentives, and rising domestic electronics demand. Order books and capacity expansion remain the primary drivers rather than US tariff rates.
Chemicals	Selective	Impact is mixed. Specialty and domestic-demand chemicals are better placed. Commodity and intermediate exporters that sell a high share into the US pay the extra duty and face rising competition from peers in countries with lower effective rates. Stock selection matters more than a blanket sector call.
Auto Components & Metals	Selective	Section 232 national-security duties on steel, aluminum and certain auto parts remain in force. Companies with strong domestic OEM relationships or local US manufacturing / USMCA-compliant supply chains are relatively better insulated. Pure export-oriented names carry more risk.
Domestic Demand Infra / Energy	Bullish	Almost no direct tariff exposure. Performance is driven by the domestic capex cycle, government infrastructure spend, and power demand rather than US trade policy. Any bilateral energy or defense cooperation is an incremental positive, not the core thesis.

Iran–Israel Conflict: Impact on Global Oil Markets

US and Israel launched joint-military action against Iran on 28 February 2026 which led to a major disruption in the supply of crude oil in the global economy. Iran announced the closure of the Strait of Hormuz, which is the waterway that carries roughly 27% of the world's crude oil and petroleum products and 20% of global liquefied natural gas (LNG). Middle East countries were heavily impacted as they hosted more than 30% of world crude oil production, more than 75% of crude oil production capacity, and roughly 11% of refining capacity. A ceasefire agreement was announced on April 07, 2026 which led to some relief in the global market and oil prices fell. However, uncertainty about the Iran-Israel conflict continued resulting in volatility in the global market. By mid-August 2026, the ceasefire had expired, tanker attacks resumed, and the Strait of Hormuz remained closed, keeping oil supplies tight.

Crude Oil Price Trends During the Conflict

Iran-Israel conflicts caused major volatility in the crude oil prices in the global market. Brent Oil Futures Prices increased from USD 72.5 per barrel as on February 27 2026 to USD 118.4 per barrel as on March 31, 2026. Crude oil prices fell post April, due to the announcement of ceasefire. April was the highest month so far, then eased through May. However, tensions have risen again, leading to crude prices moving back up and is currently trading around the mid USD 85 per barrel as on July 2026. The net move from the pre-conflict level is still clearly higher, even after the partial recovery in flows.

Exhibit 13: Brent Oil Futures Price (Feb - July 2026)



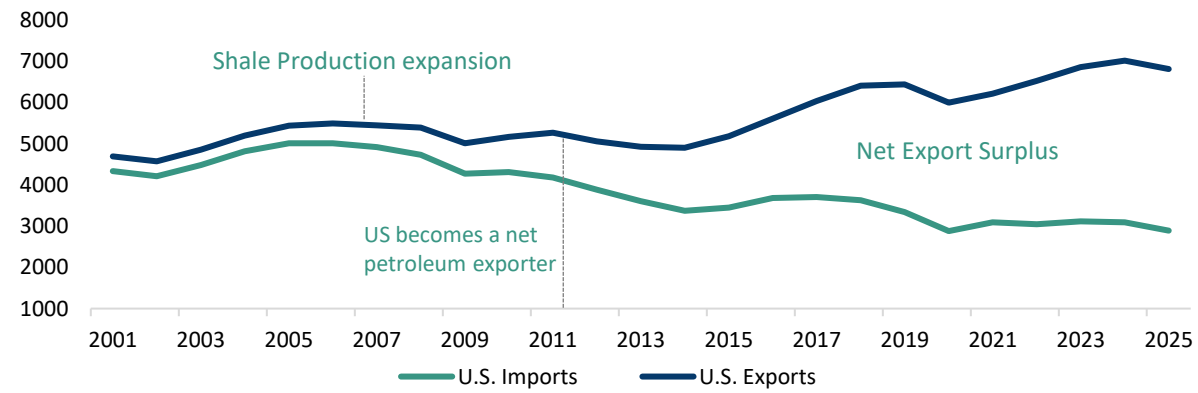
Source: Investing.com

Sectoral Impact of the Iran-Israel Conflict

US Energy Market

The Iran-Israel conflict led to the fear of oil supply disruptions pushing oil prices up benefitting energy producers and exporters. In the early 2000s, US was the world's largest importer of crude oil. However, today, US is the world's largest producer of oil and gas and a major exporter of both fuels. According to EIA, US exports roughly 3.9 billion barrels of crude oil and petroleum products. US petroleum exports hit a record 13.6 mb/d in April 2026 as the Hormuz disruption increased global demand for American barrels. However, the domestic impact of oil price increase was not uniform within US. Major oil and gas-producing states of US like Texas, New Mexico, North Dakota benefitted significantly from the surge pricing of oil however, major consumers like New York, Florida, and Illinois had to bear the brunt of it.

Exhibit 14: US Imports and Exports of Crude Oil and Petroleum Products (Thousand Barrels)



Source: Energy Information Administration

Airlines Industry

Jet fuel, which is refined from crude oil, is one of the largest operating costs for the airline industry, making it highly sensitive to geopolitical risks. The surge in crude oil prices caused global jet fuel prices to rise from around USD 2.5 per gallon in February 2026 to nearly USD 5 per gallon in March 2026, significantly affecting airline profitability. Airlines could not immediately pass the increase on to passengers because tickets are generally booked in advance. Flights were also rerouted to avoid conflict zones, resulting in longer travel times, higher fuel consumption, increased crew expenses and operational delays. These factors pressured profit margins and forced airlines to raise fares for future bookings.

Commodities Market

The Iran–Israel conflict disrupted Gulf supplies of fertilizer inputs, aluminium and petrochemicals. Iran, Saudi Arabia, Qatar, the UAE and Bahrain together account for roughly one-third of global urea supply, while Iran, Oman, Qatar and Saudi Arabia supply about 9% of global ammonia. Shortages pushed fertilizer prices higher, increasing food-production costs globally. Nearly one-fifth of global LNG trade also passes through the Strait of Hormuz, primarily from Qatar and the UAE. Supply disruptions caused Asian LNG prices to rise 94% in March, while European natural gas prices increased 59%. Precious metals also remained volatile as investors responded to geopolitical uncertainty. Gold initially fell around 12% in March due to deleveraging and liquidity pressures, showing that safe-haven assets may not rise immediately during periods of stress.

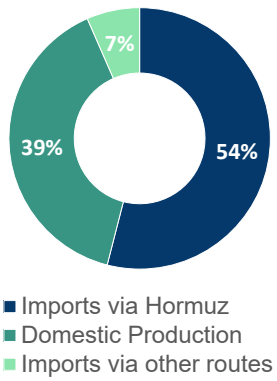
Currency Market

The Iran–Israel conflict increased uncertainty across global financial markets and encouraged investors to shift towards safer assets, including stable currencies and government bonds. The US dollar accounts for roughly 57% of global foreign-exchange reserves, supporting stronger demand for the currency during periods of geopolitical stress. Oil-import-dependent emerging markets experienced higher import costs, capital outflows and declining foreign-exchange reserves. This weakened their economic outlook, increased borrowing costs and led to the depreciation of local currencies against the US dollar.

Impact of Iran-Israel Conflict on the Indian Economy

India imported roughly 245.8 million metric tonnes of crude oil in FY2026 and depends heavily on Gulf countries for its LPG requirements. Around 60% of India's LPG is imported, with a significant portion passing through the Strait of Hormuz. The closure of the Strait disrupted supplies and led the government to prioritise LPG distribution for households while restricting availability for commercial and industrial users. Businesses dependent on LPG faced higher operating costs and temporary supply constraints. Rising crude oil prices, weaker domestic demand and higher inflation could weigh on India's near-term economic growth, requiring the government to balance energy security with inflation management.

Exhibit 15: India's LPG Supply Exposure at the Onset of the Conflict



Source: Ministry of Petroleum & Natural Gas, The Federal

India Outlook and Key Risks

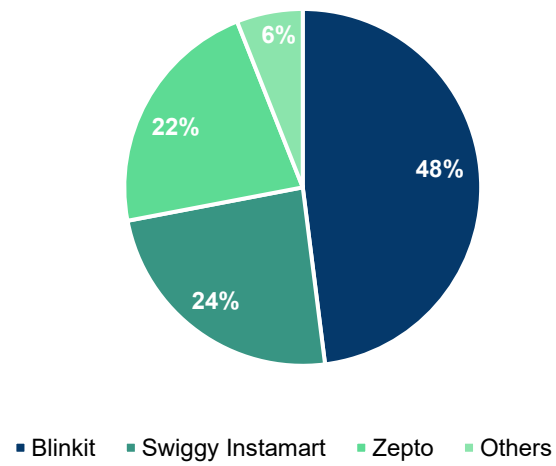
Inflation: Higher crude oil, LPG and freight costs could increase transport, cooking-fuel and food prices.
External balance: A sustained rise in energy prices may widen India's import bill and place pressure on the rupee.
Corporate margins: Airlines, logistics, chemicals, hotels and other energy-intensive businesses may face higher operating costs.
Policy response: Alternative sourcing, strategic reserves and prioritisation of household LPG supplies could limit the domestic impact.

India's Quick Commerce surge

Quick commerce has emerged as one of India's fastest-growing retail formats, fundamentally changing urban consumption through rapid delivery, convenience and increasing product assortment. The market reached nearly $12 billion in Gross Merchandise Value (GMV) in CY2025 and is projected to grow nearly fivefold to around $60 billion, supported by rising digital adoption, dense urban networks and increasing consumer preference for convenience-led purchases. As of CY2025, the market remains concentrated among three leading players: Blinkit with a 48% share, Swiggy Instamart at 24% and Zepto at 22%, highlighting the scale advantages and intense competitive dynamics within the sector.

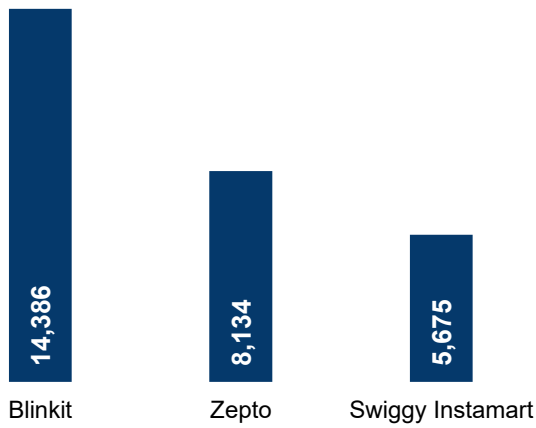
Quick commerce is reaching a profitability inflection, but Blinkit remains the clear leader. Blinkit reported Net Order Value (NOV) of ₹17,132 crore in Q1 FY27, up 86.2% YoY, with adjusted EBITDA profit of ₹102 crore and 2,443 dark stores, marking its third consecutive profitable quarter. Swiggy Instamart, meanwhile, reported GOV of ₹7,907 crore in Q1 FY27, up 40% YoY, while its contribution margin loss narrowed sharply to 0.2% of GOV from 1.8% in Q4 FY26, signaling improving unit economics. Competition remains intense: the top three players operated over 5,000 dark stores by May 2026, while Flipkart Minutes has crossed 1,000 stores across 130+ cities and targets 1,500. Amazon Now is also scaling toward a 300-city rollout. The market is therefore shifting from a land grab to a race for density, customer share and sustainable store-level profitability, with Blinkit currently holding the strongest position.

Exhibit 16: Quick commerce market share, CY2025 (%)



Source: Datum Intelligence, via Reuters (Jan 2026)

Exhibit 17: Quarterly Net Order Value, Q4 FY26 (₹ crore)



Source: Company filings

Market Outlook

Zepto's IPO plans have hit a pause, with the company shelving its planned August 2026 listing and opting for a pre-IPO private placement instead. Zepto is looking to raise around ₹1,000 crore at a valuation of $4 - 4.5 billion, well below its previous $7 billion valuation in October 2025, amid investor concerns around profitability, cash burn and competitive intensity. Its proposed IPO had envisaged a ₹8,010 crore fresh issue and an OFS of 11.35 crore shares. CEO Aadit Palicha indicated that the listing could be delayed by two to three quarters, as Zepto focuses on strengthening its balance sheet and updating its financial disclosures. Meanwhile, Swiggy has appointed former Myntra CEO Nandita Sinha as the new CEO of Instamart, effective August 3, 2026, replacing Amitesh Kumar Jha. The leadership change comes as Instamart seeks to improve growth and unit economics amid intensifying competition.

These developments signal a shift in quick commerce from aggressive expansion toward sustainable growth and profitability. Going forward, unit economics, order density, funding requirements and competitive intensity will remain key factors shaping the sector's outlook

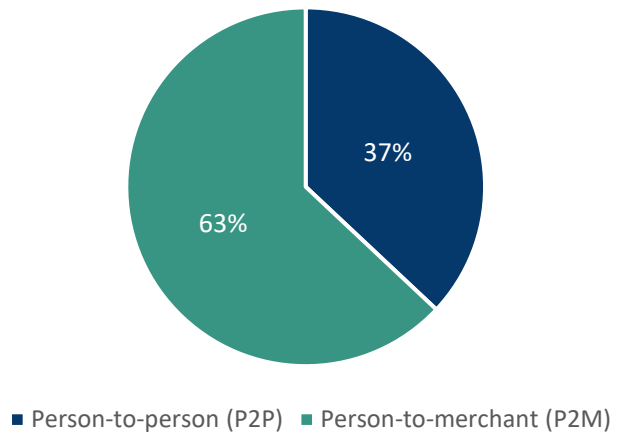
India's Digital Economy

India's digital economy continued to set usage records in July 2026, even as private capital remained more selective. On 1 August, NPCI data showed UPI processing a record 2,366 crore transactions worth ₹29.9 lakh crore, up 4.1% MoM and 22.0% YoY, with daily volumes averaging 76.3 crore transactions. The scale reflects how deeply digital payments have become embedded in everyday consumption. As of June 2026, 55.49 crore users were onboarded on UPI, while FY26 transaction value reached ₹314.23 lakh crore, up from ₹260.56 lakh crore in FY25.

The infrastructure supporting this usage has expanded alongside it. TRAI's March 2026 quarterly data recorded 1,092.8 million internet subscribers, up 6.2% QoQ, within a total telecom base of 1,330.6 million and tele-density of 93.3%. Average wireless data consumption stood at 26.7 GB per subscriber per month, while data realisation was just ₹7.5 per GB. Internationally, ICRIER's State of India's Digital Economy 2026 placed India fifth globally, up from eighth a year earlier, and fourth on its AI performance index. India's digitally delivered trade stood at around $328 billion, underscoring the growing scale and global relevance of its digital economy.

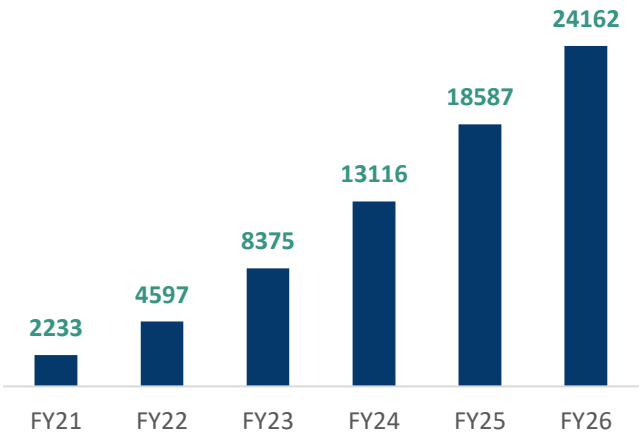
The next phase of India's digital economy will be shaped by monetisation, innovation and deeper financial inclusion. The continued scale-up of UPI, expansion of digital services and growing adoption of AI are creating opportunities across payments, fintech and technology, while tighter funding conditions make sustainable margins increasingly important. The ability to convert India's expanding digital user base into durable economic value will remain a key theme for investors.

Exhibit 18: UPI transaction mix by type — Volume (%)



Source: NPCI UPI Product Statistics

Exhibit 19: UPI annual transaction volume, (Rs. crore)



Source: NPCI; Ministry of Finance, PIB

What to watch

First, whether monthly UPI volumes remain above the 23 billion mark through the pre-festive period, and how quickly Credit on UPI and international payment corridors scale under Payments Vision 2028. Second, whether the proposed MDR framework creates a sustainable monetisation path for the UPI ecosystem without materially slowing merchant adoption. Key variables to watch are the transaction threshold, eligible merchant segments and eventual MDR rate, with P2P transactions expected to remain free. Third, whether technology and platform businesses sustain margin gains through Q2 FY27 while funding conditions remain tight. Continued margin resilience would support the view that the current correction is a repricing rather than a deterioration in underlying fundamentals.

Rare Earths, Lithium & The Supply Chain Race

The race for Rare Earth Elements (REEs) and lithium is no longer about controlling mines and mineral reserves; it is about establishing resilient, end-to-end supply chains. Global lithium demand rose by nearly 30% in 2024, while demand for rare earths increased by approximately 6 - 8%, driven by electric vehicles, battery storage, renewable energy and grid infrastructure. However, the strategic vulnerability lies beyond mining: China accounted for around 60% of magnet rare-earth mining, 91% of refining and 94% of sintered permanent-magnet production in 2024. As REEs are essential inputs for high-performance motors and permanent magnets, while lithium underpins battery technologies, control over their processing and downstream manufacturing has become a major determinant of industrial competitiveness, energy security and geopolitical influence.

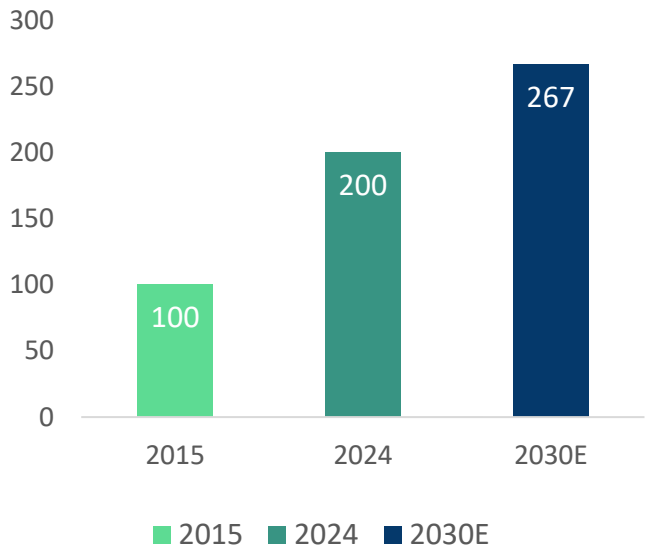
The Supply Chain Story

For almost thirty years, China has had a firm control over the midstream processing of critical minerals that is, the stage involving the separation of rare earth oxides, the refining of lithium, the production of alloys and permanent magnets.

There are several sources for obtaining rare earths as vast deposits exist in Australia, Brazil, Vietnam, the US, Madagascar. The bottleneck is that converting REEs into usable materials is chemically complex, energy-intensive, and environmentally messy. And, China spent decades building this capability, largely because it was willing to absorb the environmental cost that other countries weren't. Then came China's export licensing conditions in 2025.

April, 2025 - Seven of medium and heavy REEs, (ones that are essential for high-temperature permanent magnets used in wind turbines, advanced motors, and defence systems) were added to China's export control list.

Exhibit 20: Global magnet rare-earth demand index



Source: International Energy Agency; 2015 = 100

October 9, 2025 - China introduced its most comprehensive restrictions to date, modelled after the U.S. Foreign Direct Product Rule (FDPR). In October 2025, China announced extraterritorial controls covering specified foreign-made products containing at least 0.1% Chinese-origin controlled rare-earth inputs, as well as certain products made using Chinese rare-earth technology.

MOFCOM Notice No. 61 was suspended by China on November 7, 2025, as part of a temporary US-China de-escalation agreement, with the suspension currently set to run until November 10, 2026.

Nonetheless, the move raised global concerns about the macroeconomic fallout of supply disruptions for import-dependent economies, as one licensing decision in Beijing could ripple into industrial output elsewhere. That is why governments, not just companies, are increasingly funding midstream projects.

Global Race

The U.S. State Department and the International Development Finance Corporation (DFC) have committed up to $4.48 - 4.84 million for rare earths project in Madagascar, targeting production by 2028. Pohang Iron and Steel Company (POSCO - a South Korean giant) has tied up (in non-binding MoU, signed July 2026) with Brazil's Meteoric Resources for the supply of up to 30% of their rare earth needs over the next seven years. Hyundai and Kia hold a binding offtake agreement with Arafura Resources for NdPr oxide from the Nolans project, with volumes potentially rising to 1,500 tonnes annually from the fourth year of supply. First production is currently expected around mid-2029.

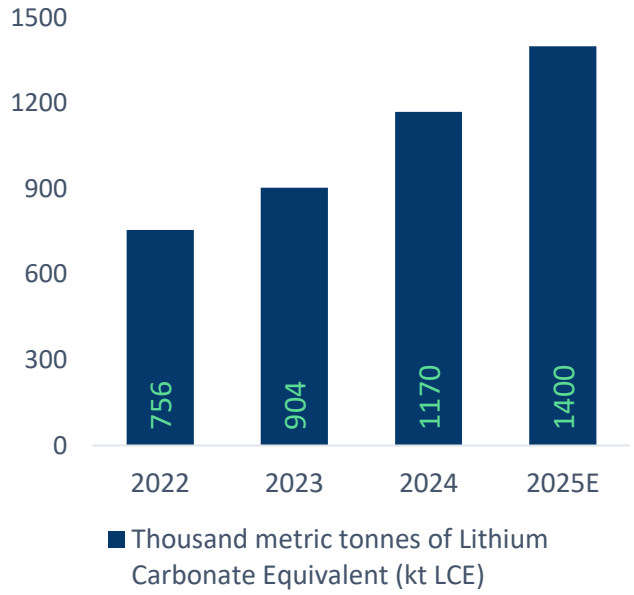
Why Rare Earth Elements & Lithium Matter

EVs - Lithium is central to today's dominant EV battery chemistries, supporting energy storage, vehicle range and performance. Magnet rare earths such as neodymium and praseodymium are used in the high-performance permanent-magnet motors found in many EVs.

Clean energy - Magnet rare earths are important inputs in many high-efficiency wind-turbine generators, while dysprosium and terbium help permanent magnets retain performance at high temperatures. Lithium's role is concentrated in grid-scale and renewable-energy storage rather than in solar panels themselves.

Defence - Rare-earth magnets and alloys are used across aircraft, guidance systems, radar, sonar and other advanced defence technologies. Their highly concentrated processing and manufacturing supply chains therefore make access to these materials a national-security concern, not merely a commercial issue.

Exhibit 21: Global lithium demand, kt LCE



Source: U.S. Geological Survey & Albemarle

India's Opportunity

As a country making major investments in EVs and India's target of 500 GW of non-fossil-fuel electricity capacity by 2030, India's dependence is very clear - it remains heavily import-reliant for critical minerals like lithium and cobalt. But the last 18 months show a government moving towards actively closing the gap.

The National Critical Mineral Mission (NCMM), launched in January 2025, is the main initiative on this front. Backed by ₹1,500 crore for recycling capacity and a further ₹7,280 crore scheme approved in November 2025 is set to build 6,000 Metric Tonnes Per Annum of integrated rare-earth permanent magnet manufacturing, covering everything from raw oxides to finished magnets. The Union Budget 2026-27 went further ahead and announced dedicated Rare Earth Corridors across Odisha, Kerala, Andhra Pradesh and Tamil Nadu — reflecting India's ambitions of building processing capability on home soil.

On the raw material front, India is strengthening diversified partnerships rather than relying on any single source: it has a lithium exploration agreement with Argentina through KABIL, a lithium partnership with Australia from 2022, and a memorandum in 2025 with Japan intended for joint extraction in third countries — an intentional "China-plus-one" strategy.

Investor Lens

The global trends point to one thing: the real value, and the real risk, has moved from the mine to the processing plant. That's where investors should be looking too.

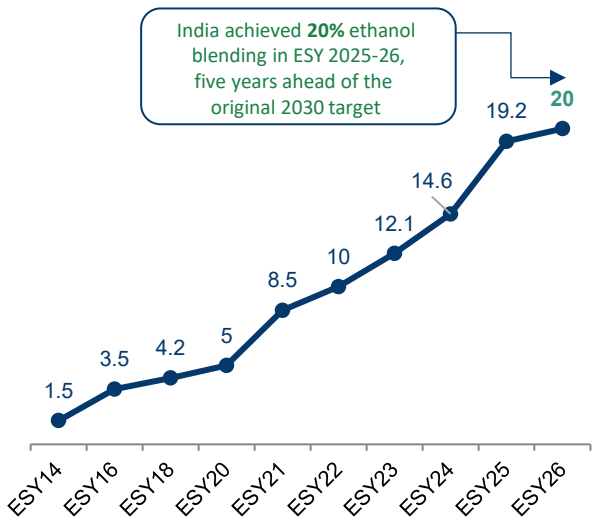
Upstream mining stocks are the obvious focal point, but another strategic opportunity lies in the midstream companies building separation, refining and magnet capacity outside China. Globally, we can note names like Lynas Rare Earths, MP Materials and Arafura Resources. In India, IREL remains the closest thing to a pure-play, while Hindustan Zinc, Coal India, NMDC and MOIL offer partial exposure as they expand into critical minerals.

Demand for critical minerals is no secret. Everyone knows EVs and clean energy depend on them. The real question is who will control the supply chain, from processing to final production. That is where the bigger investment opportunity may lie over the next decade, and the race is still wide open.

India's Ethanol Blending Petrol (EBP) Programme

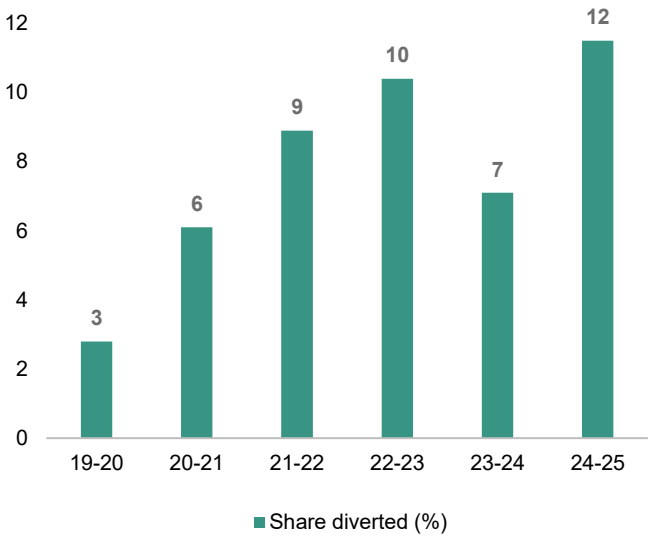
Ethanol is a renewable biofuel produced from agricultural feedstocks such as sugarcane, molasses, maize or grains, and is blended with petrol to reduce fossil fuel consumption and vehicle emissions. As the world's 3rd largest oil consumer, India imports 85-88% of its crude oil requirement, leaving it exposed to price swings and supply shocks. To address this, the Government Of India launched the EBP, mandating oil companies to blend rising shares of ethanol into petrol, transforming ethanol from a sugar surplus management tool into a strategic pillar of energy security. Under the EBP, ethanol blending increased from less than 1.5% in Ethanol supply year (ESY) 2013-14 to 20% in ESY 2025-26, achieving the 20% blending target 5 years ahead of schedule (Refer Exhibit 1). By July 2026, the EBP programme had substituted approximately 316 lakh metric tonnes of crude oil, generated ₹1.97 lakh crore in foreign-exchange savings, reduced nearly 952 lakh metric tonnes of CO_2 emissions, and transferred around ₹1.66 lakh crore to farmers.

Exhibit 22: Ethanol Blending in Petrol by ESY (%)



Source: NITI Aayog, PIB

Exhibit 23 : Share of Sugar Diverted to Ethanol (%)



Source: ISMA and official government data, via PIB and The Tribune; Note: Years represent sugar seasons running from October to September

Global Comparison: What Can India Learn?

Country	Feedstock	Blend %	Success Enablers
Brazil	Sugarcane + corn	E32 mandatory currently + E100/hydrous ethanol for FFVs	• Extensive Flex Fuel Vehicle (FFV) Adoption; Around 90% of new cars sold are FFV, allowing consumers to switch between petrol and ethanol based on fuel prices • 5 decades of policy continuity supported investments in ethanol production, vehicle technology & fuel distribution infrastructure • Integrated sugar-ethanol ecosystem- Sugar mills can switch between producing sugar/ethanol depending on market economics, improving profitability & supply flexibility
USA	Corn (Maize)	E10 standard, E15 increasingly available, E85 for FFV	• Abundant corn production- Large corn surpluses provide cost effective feedstock • Renewable fuel standards- Federal mandates require increasing volumes of renewable fuel to be blended into fuel • Extensive production, storage and distribution infrastructure supports nationwide ethanol adoption

Market Impact

Agricultural Sector:
- Created an additional revenue stream for sugarcane and maize farmers, improving income stability
- Improved liquidity for sugar mills, enabling faster payments to farmers
- Increased demand for maize and alternative feedstocks, encouraging crop diversification

Sugar Industry:
- Ethanol has evolved into a second revenue stream, reducing dependence on cyclical sugar prices.
- As shown in exhibit 2, a growing share of sugar is now diverted towards ethanol production, improving mill profitability and reducing surplus sugar inventories
- Triggered investments in distilleries and ethanol production capacity

Automobile:
- Accelerated the rollout of E20-compatible vehicles by major Original Equipment Manufacturers (OEMs)
- Created long term opportunities for FFV's and cleaner mobility technologies
- Encouraged investment in fuel system innovation and alternative mobility solutions

Key Challenges & Way Forward

Challenge	Way Forward
Water intensive sugarcane	Diversify towards maize, agricultural residues and second generation (2G) ethanol, to reduce water stress
Food vs Fuel debate	Prioritise non-food feedstocks while balancing ethanol production with food security and inflation concerns
Limited Flex Fuel Vehicle ecosystem	Promote FFV manufacturing and expand ethanol-compatible fuel infrastructure, drawing lessons from Brazil
Dependence on monsoons	Build a diversified feedstock basket and strengthen storage and supply chains to improve resilience against crop fluctuations
Compressed implementation timeline	Unlike Brazil, which developed its ethanol ecosystem over 50+ years, and the USA, where ethanol adoption evolved gradually under the Renewable Fuel Standard, India achieved E20 in about a decade. Sustaining higher ethanol blends will require continued investment in vehicle compatibility, infrastructure and advanced biofuels, not just ambitious blending targets

Key Takeaway:

India's achievement of E20 demonstrates the effectiveness of coordinated policy support. However, sustaining future growth will depend on balancing energy security, food security and water sustainability while expanding flex-fuel vehicles, advanced biofuels and feedstock diversification.

Potential Beneficiaries

- Integrated sugar companies with distillery capacity
- Ethanol producers and distillery-equipment suppliers
- Automobile and component manufacturers supporting E20 and flex-fuel vehicles

Key Monitorables

- Ethanol procurement prices and government policy
- Sugar and maize availability and feedstock costs
- Monsoon conditions, water stress and food inflation
- Expansion of flex-fuel vehicles and ethanol-fuelling infrastructure

BFSI Global Industry Outlook

The global BFSI industry is undergoing a structural shift from traditional bank-led finance toward a broader, technology-driven financial ecosystem. Banks remain resilient, but growth is increasingly coming from wealth management, insurance, private credit and other non-bank financial institutions (NBFIs). NBFIs now account for over half of global financial assets, reflecting the migration of financial intermediation beyond traditional banks. At the same time, AI, digital payments, cloud adoption and embedded finance are reshaping how financial products are distributed and serviced, improving efficiency while increasing cybersecurity and operational risks. Higher interest rates have supported bank profitability, but slowing economic growth, credit-quality risks and tighter regulation remain key concerns. Overall, the industry is moving toward a more digital, diversified and interconnected financial system, with technology and non-bank finance becoming the major structural growth drivers.

Banking

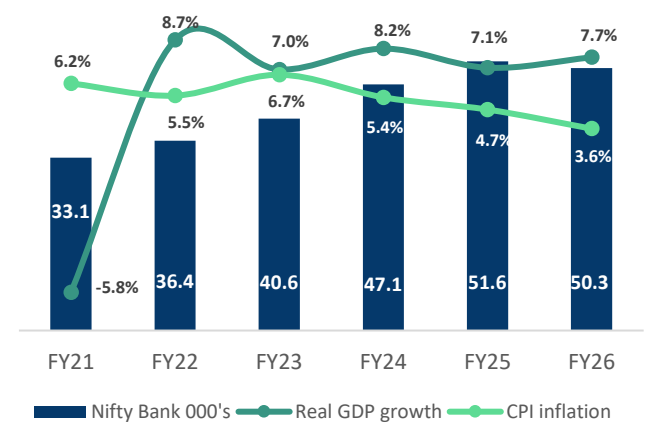
India's banking sector has entered FY27 in its strongest structural position in over a decade. The multi-year asset-quality clean-up and recapitalisation cycle is largely complete, with Scheduled Commercial Banks (SCBs) reporting GNPA of 1.93% and Net NPA of 0.39% as of March 2026, both at multi-decadal lows. Meanwhile, CRAR of 17.7% and CET1 of 15.3% provide substantial balance-sheet headroom to support the next phase of economic and private-capex expansion. The improvement reflects tighter underwriting, recoveries and lower corporate stress, fundamentally strengthening banks' ability to absorb future shocks.

With balance sheets repaired, credit growth has become the primary earnings driver, accelerating to ~16% YoY by March 2026. Growth is broadening beyond retail into MSMEs, services and a gradual revival in corporate credit, supported by rising formalisation, infrastructure investment and increasing financialisation. However, the faster pace of lending has created a new constraint: funding rather than capital. Credit growth continues to outpace deposits, intensifying competition for liabilities and pushing banks toward higher-cost term deposits. This puts pressure on Net Interest Margins (NIMs) and makes granular deposits, CASA strength and funding costs key differentiators across lenders.

Profitability remains robust, with aggregate banking-sector PAT reaching ~₹4.05 lakh crore in FY26, supported by healthy loan growth, fee income and benign credit costs. Lower provisioning requirements are allowing more earnings to translate into retained capital, reducing near-term dependence on external equity. At the same time, UPI, digital banking and AI-driven analytics are lowering transaction and customer-acquisition costs while improving underwriting, fraud detection and collections. However, increasing digital dependence brings greater exposure to cybersecurity and operational-resilience risks.

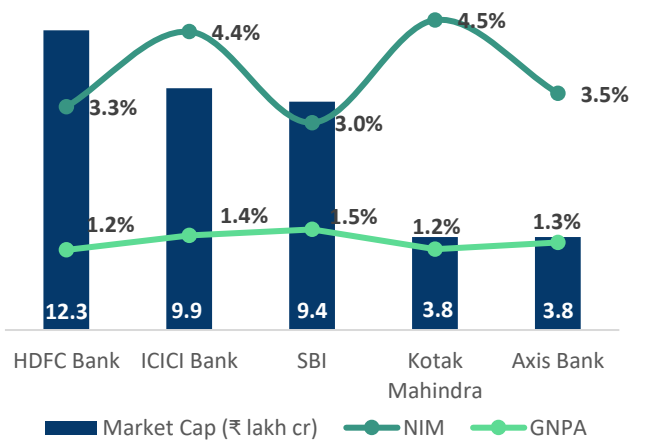
Overall, the sector's investment thesis has shifted from balance-sheet remediation to disciplined credit compounding. With strong capitalisation, historically low NPAs and broadening credit demand, Indian banks are well positioned to benefit from India's long-term economic expansion. The key differentiator going forward will be the ability to grow credit while protecting asset quality, funding economics and returns on capital.

Exhibit 24: Macroeconomic trends influencing BFSI



Source: MoSPI, PIB

Exhibit 25: Key players

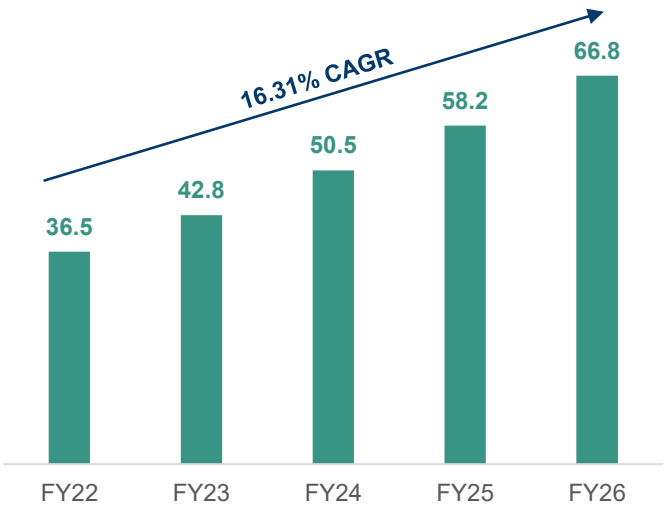


Source: Company Filings

NBFC

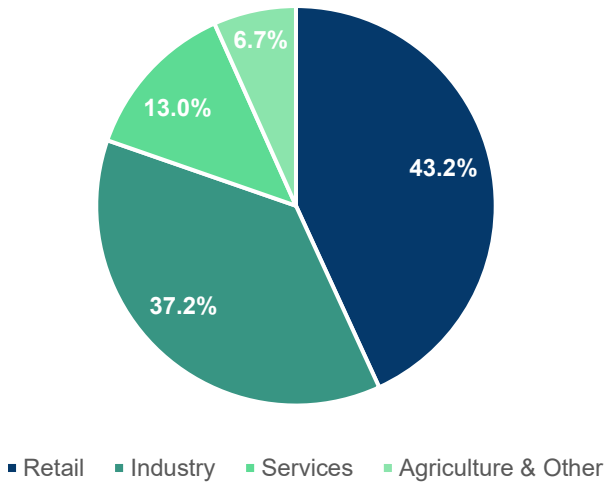
India's NBFC sector entered FY26 with credit growth outpacing banks, reflecting continued demand across retail, MSME and specialised financing. However, growth has become increasingly segment-specific: gold financiers and diversified NBFCs have expanded rapidly, while housing finance companies (HFCs) and microfinance institutions (MFIs) have faced slower growth and greater asset-quality pressure. Sector-level asset quality remains resilient, but stress is concentrated in specific pockets. NBFC GNPA has improved materially since FY23, while profitability remained healthy with ROA of 2.3% and NIM of 6.4% in FY26. However, NBFC-MFIs remain the key area of concern, with GNPA rising to ~4.1%, reflecting elevated borrower stress and geographic concentration. Smaller, wholesale-funded HFCs represent a secondary area of risk as recently expanded loan books mature. The sector's next phase will therefore be shaped less by aggregate credit availability and more by funding quality, underwriting discipline and segment-level risk management. Dependence on bank and wholesale funding, ALM mismatches and concentration in sectors such as microfinance remain structural vulnerabilities. At the same time, gold finance has emerged as a major growth engine, with AUM reaching ~₹18.6 lakh crore, up ~50% YoY, although the rapid expansion also raises sensitivity to gold-price movements and borrower leverage. Overall, NBFC growth remains strong but increasingly differentiated, with gold and diversified financiers driving expansion while MFIs and certain HFCs require closer monitoring. The balance between faster credit growth and funding, asset-quality and concentration risks will define the sector's trajectory going forward.

Exhibit 26: NBFC AUM (Lakh cr)



Source: RBI

Exhibit 27: NBFC Credit Mix



Source: RBI

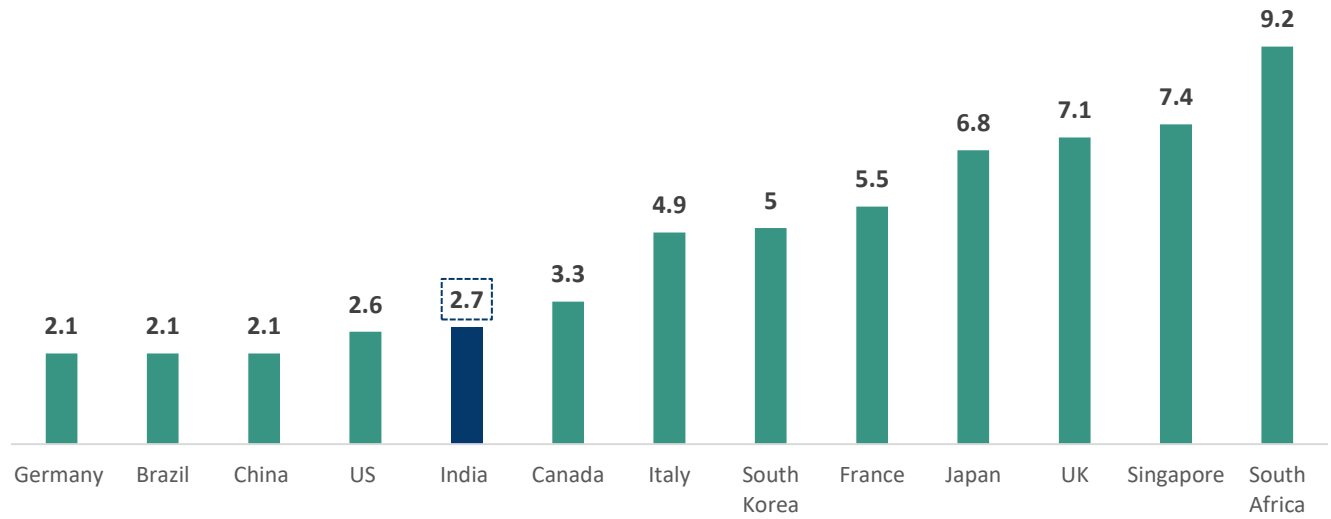
Insurance

India's insurance industry remains structurally underpenetrated, creating significant long-term headroom. Insurance penetration stood at 3.7% of GDP in FY25, versus a global average of ~7%, while insurance density rose to US$97. Rising incomes, financialisation, health awareness and regulatory initiatives are gradually driving greater protection demand.

FY26 saw a broad-based recovery in premium growth. Life insurers' new business premium rose 15.7% YoY to ₹4.60 lakh crore, while non-life premiums grew 9.3% to ₹3.36 lakh crore. Health insurance remained the key non-life growth engine, with premiums reaching ₹1.37 lakh crore, up 15% YoY. The September 2025 exemption of individual health and life insurance premiums from GST provided an additional demand catalyst.

The sector is consequently shifting from low penetration to broader, protection-led growth, with health and individual life products gaining importance. For investors, the opportunity lies in converting India's large protection gap into profitable, recurring premium pools, while maintaining underwriting discipline and controlling distribution costs as competition intensifies. Private insurers are particularly positioned to gain through bancassurance, digital distribution and product innovation, although LIC remains the dominant life insurer.

Exhibit 28 : Life Insurance Industry Penetration (Premium as % of GDP) (%)



Source: Canara HSBC Life DRHP

Asset Management Industry

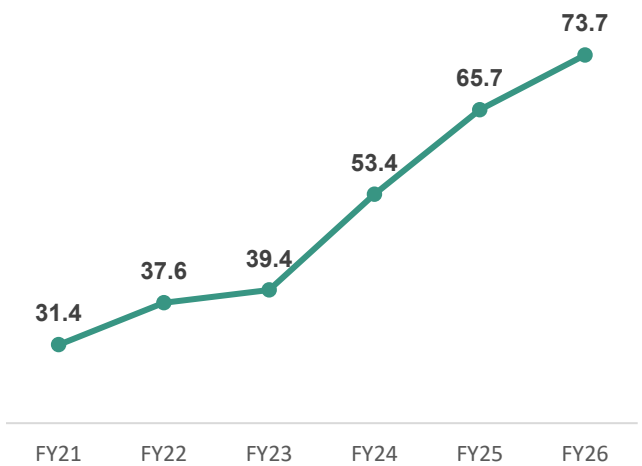
India's asset management industry is undergoing rapid expansion as household savings shift toward market-linked financial assets. Mutual fund AUM has increased from ₹31.4 lakh crore in FY21 to ₹73.7 lakh crore in FY26, implying a ~19% CAGR, supported by rising retail participation, SIP adoption and increasing financialisation of household wealth.

Growth has broadened beyond traditional active funds. Equity-oriented schemes account for 43.4% of mutual fund AUM, followed by fixed income at 22.4% and hybrid funds at 14.0%, while ETFs and index-oriented products constitute ~20.2%. The growing share of passive products reflects increasing investor preference for lower-cost, transparent market exposure alongside continued demand for equity-oriented savings products.

The industry is therefore evolving from a bank- and deposit-dominated savings ecosystem toward a more diversified, market-linked model. While AUM growth moderated to 12.2% in FY26 from 23.1% in FY25, the industry continued to reach new highs, indicating that financialisation remains intact even as the pace of asset accumulation normalises.

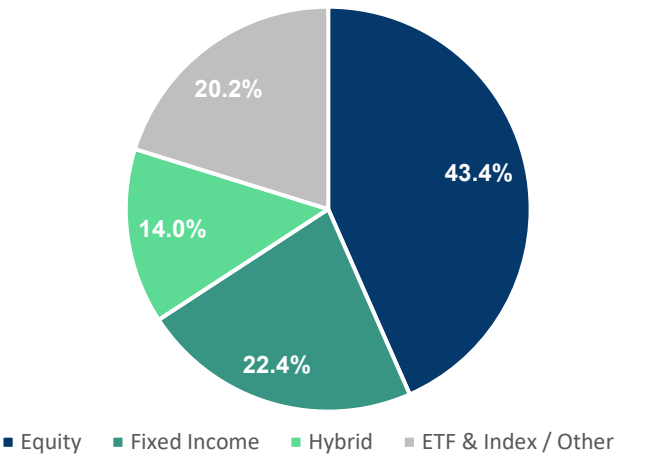
Overall, the next phase of asset management will be shaped by continued retail participation, deeper penetration beyond major cities, growth in passive and digital investment products, and the ability of asset managers to scale distribution while maintaining cost efficiency.

Exhibit 29: Growth of Indian Mutual Fund (AUM ₹ Lk Cr)



Source: AMFI

Exhibit 30: Mutual Fund AUM by Asset Class



Source: AMFI

IT Sector Outlook

The IT industry began with mainframes in the 1970s, moved on to personal computers in the 1980s, invented the internet in the 1990s, introduced us to social media in the 2000s and shifted everything to the cloud in the 2010s. Each wave replaced the last one as the story of the industry. The wave that defines the industry in 2026 is Artificial Intelligence. Global technology spending reflects this shift. After a slow patch in 2022 and 2023, worldwide spending on technology has climbed sharply again in 2025 and 2026, and almost every dollar of the extra spend is chasing artificial intelligence. Companies are pouring money into new data centres, powerful servers, specialised chips and the software that trains and runs AI models.

Global IT Trends

Global IT markets are undergoing a significant shift, with artificial intelligence (AI) increasingly shaping technology adoption, investment priorities and corporate strategies. AI-led growth is driving substantial investments across semiconductors, data centres and computing infrastructure, while technology continues to gain prominence in global mergers and acquisitions (M&A), accounting for nearly one-third of US M&A deal value. The scale of AI infrastructure requirements is also driving increased corporate financing, with Meta Platforms raising nearly US$30 billion through new debt to support data-centre expansion and AI capacity. At the same time, cybersecurity is emerging as a key area of consolidation. Together, these developments point to a broader transformation of the global IT landscape, characterised by rising AI infrastructure spending, increased technology M&A and growing demand for integrated digital and cybersecurity solutions.

Indian IT Story

India's IT industry began with the establishment of Tata Consultancy Services in 1968 and gained momentum through policy reforms during the 1980s and early 1990s. The New Computer Policy (1984), Software Policy (1986), economic liberalisation (1991) and the creation of Software Technology Parks of India laid the foundation for export-led growth. The industry gained global recognition during the Y2K transition, when Indian firms demonstrated cost-effective and reliable software capabilities, accelerating the rise of outsourcing and business process services.

Exhibit 31: Nifty IT and S&P 500 IT Indices performance



Source: Investing.com

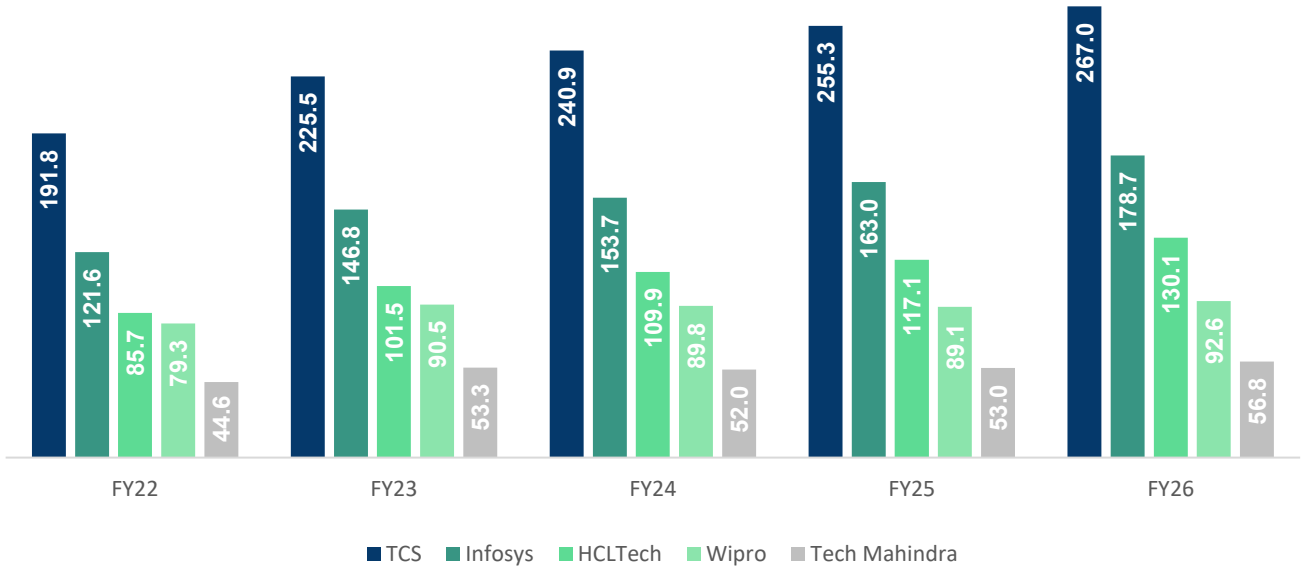
Over the following decade, companies including Infosys, Wipro, HCL Technologies, Cognizant and Tech Mahindra expanded India's global presence, while the 2008 financial crisis further increased outsourcing demand. The industry later evolved beyond traditional IT services into cloud computing, analytics, digital transformation and Global Capability Centres. Government initiatives such as Digital India, UPI and the IndiaAI Mission have further strengthened the domestic technology ecosystem and AI capabilities. Global technology companies continue to expand their presence in India, with Google announcing an AI hub and data centers in Visakhapatnam, Reliance developing large data centers in Jamnagar and TCS committing one of the country's largest AI infrastructure investments

Industry Growth

Indian IT majors saw a significant shift in growth during FY22–FY26. Post-pandemic demand drove strong growth in FY22–FY23, supported by higher spending on cloud, digital engineering and SaaS, with TCS crossing the ₹2tn revenue mark and Infosys recording YoY revenue growth of 15.4% (CC). However, growth slowed sharply from FY24 as inflation and higher interest rates led enterprises to focus on cost optimisation, vendor rationalisation and transformation-led deals. Constant-currency revenue growth for most majors remained in the low single digits during this period, while reported revenues benefited from favourable currency movements and the execution of large legacy deals. By Q1 FY27, growth began to recover as enterprises moved from experimenting with AI towards wider adoption, creating new opportunities across AI, cloud and data services. However, AI-led automation also created a 2–3% headwind to traditional T&M revenues, limiting the overall impact on growth.

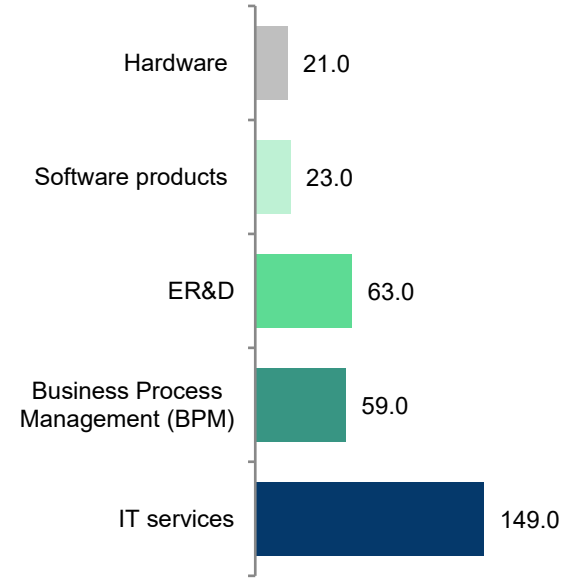
Exhibit 32: Revenue From Operations Trend of Leading Indian IT Services Companies

Figures in ₹ 000's crore



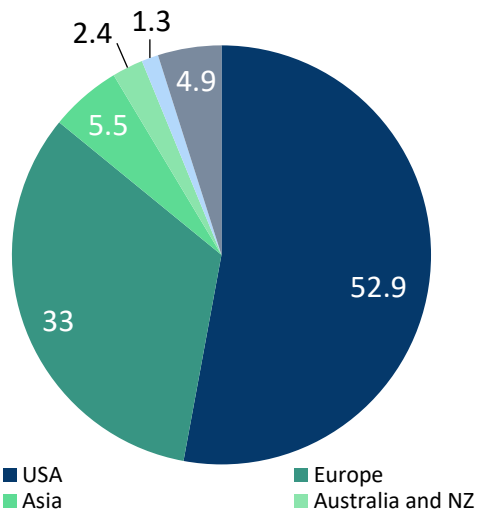
Source: Company Investor Presentation

Exhibit 33: Revenue by service segment (FY26) ($ Bn)



Source: NASSCOM, Annual Review 2026, Kotak Neo

Exhibit 34: Indian IT exports by geography (FY25, %)



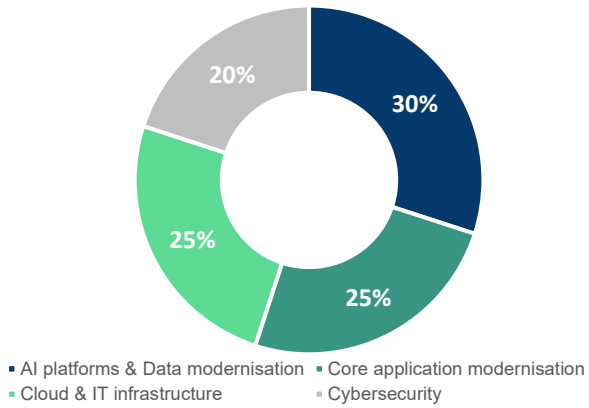
Source : IBEF IT and BPM Sector Report

Enterprise Tech Spend is Shifting Towards Transformation

Enterprise tech spend is witnessing a shift from sustaining legacy systems to transformational initiatives. Indian enterprises are set to spend 6-8% of their revenues on technology, higher than the global 5-6%, and with over 70% CFOs planning a 5-20% budget increase in 2026. Nearly 40% of enterprise budgets are being allocated to AI, data, and transformation, and this has led to a dramatic shift in the spends between CAPEX and OPEX with 50-60% being allocated to CAPEX, as compared to the global 20-30%.

This spend shift, along with the focus on AI-ready infrastructure and cloud platforms, has enhanced the addressable market for Indian IT majors beyond just applications and maintenance and support.

Exhibit 35: Tech Modernisation Spending Allocation



Source: Bain Report

Indian IT Firms are Positioning Themselves Towards Transformation

Indian IT majors are vying to capture the transformational spend by evolving from purely asset-light people-centric outsourcing to building AI-ready infrastructure, platforms, and applications. HCLTech recently announced an allocation of ₹3,500 crore for setting up physical data centers, while TCS, through its HyperVault joint venture with private equity firm TPG, is building AI-ready data centers for enterprises. At the same time, tier-I IT firms are focusing on AI GCC-as-a-Service, which enables enterprises to build their GCC footprints and reap the benefits of scale while avoiding direct CAPEX spends and potential leakage of revenues to in-sourced centers. Strategic partnerships are also helping Indian IT firms capture the transformation spend. For instance, the long-standing relationship with Citi, spanning the acquisition of Citigroup Global Services (*CGS*) and transformation of its applications and infrastructure, is allowing TCS to benefit from the enterprise's digital transformation while reducing its exposure to T&M-based revenues. Similarly, Wipro is seeing increased demand for its AI-powered enterprise applications.

AI is Fast-tracked to be a Revenue Driver

AI has graduated from being an experiment to a significant revenue driver as the top IT majors start to report revenues from their AI offerings. TCS is recording an annualized revenue run-rate of $2.6bn, supported by $9.5bn through its quarterly order bookings, driven by demand from Enterprises for AI-led transformation. Infosys is reporting that 8.2% of its revenues came from AI services, while its AI business continues to record double-digit growth. HCLTech is reporting revenues of $171mn in Advanced AI revenue during the quarter (*equivalent to an annualized run rate of ~$688mn from AI offerings, which represents an over 60% Y-o-Y growth, far outpacing its overall revenue growth of 3.9%*). Rather than being an add-on to cloud offerings, AI appears to be monetized across the infrastructure, platform, and application stack, and this allows Indian IT firms to slowly pivot from T&M-based revenues to transformational ones.

Strategic Outlook

The shift in enterprise spend from sustaining legacy systems towards transformation and new-age applications is driving a structural change in the revenue mix of Indian IT majors, with a gradual reduction in reliance on headcount-led growth. As clients increasingly seek integrated solutions across AI, cloud, data, infrastructure and applications, competitive differentiation is shifting from scale and cost efficiency towards technology capabilities and business outcomes. Tier-I firms are well positioned to benefit from this shift, given their ability to provide end-to-end solutions and act as long-term transformation partners. This could support higher-value engagements, improve productivity and create opportunities for more sustainable growth beyond traditional application maintenance and T&M-based services.

Healthcare Industry

The global healthcare industry is currently navigating a challenging macroeconomic environment due to persistent inflation, geopolitical uncertainty, supply chain disruptions. These factors have increased input and operating costs, affected pharmaceutical and medical device supply chains, and limited capital investments across healthcare systems. However, the demand for healthcare services has remained resilient because of the essential nature of this sector. The global healthcare sector, presently valued at around USD 9 trillion, continues to grow, because of factors like rapid technological advancements, rising healthcare expenditure, increasing adoption of AI and digital health solutions, and rising rates of chronic diseases. Furthermore, demographic factors such as ageing population (with the global population aged above 65 years is expected to reach 1.5 billion) are generating continuous demand for hospitals, pharmaceuticals, medical devices and long term care services. Private players and governments are investing heavily in healthcare infrastructure, technology, and preventive care to improve healthcare efficiency & accessibility. Despite financial difficulties, the strong structural demand and continuous innovation, the global healthcare industry is likely to maintain a positive long-term growth trajectory.

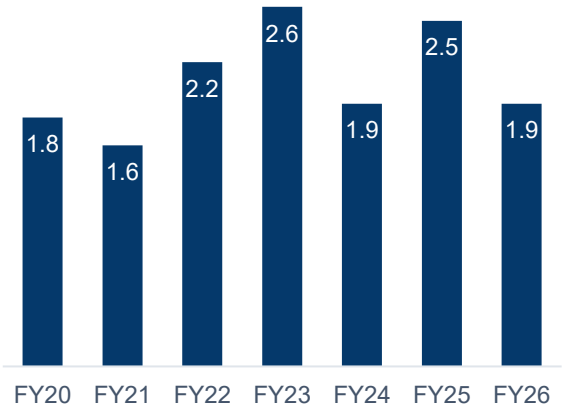
Indian Healthcare Industry Outlook

India's healthcare industry continues to expand rapidly, owing to increase in healthcare demand, increased investment, and favourable government regulations. The country remains substantially undeserved, with only 1.3 hospital beds per 1000 people, well below the global median of 2.9 beds per 1000, indicating significant prospects for healthcare infrastructure improvement. In FY26, hospitals and diagnostics had over 15% y-o-y revenue growth, helped by more patients, new capacity, and demand for specialised care.

Segment Overview

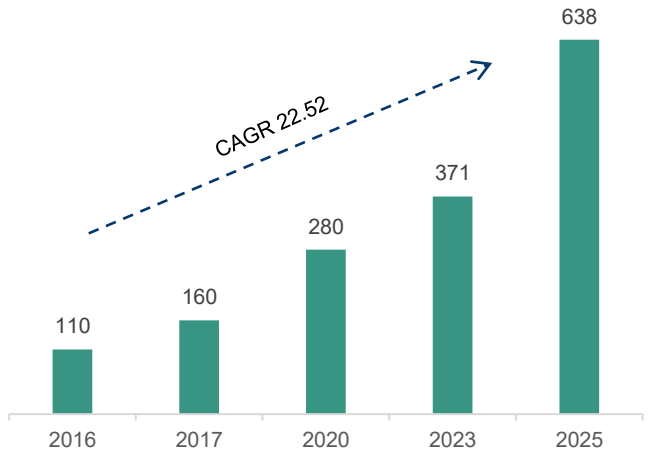
The healthcare sector can be broadly classified into several key areas. With around 38% of the market, Healthcare Services (hospital, outpatient and rehab care) holds the highest share, followed by Pharmaceuticals (around 34%), driven by chronic and acute treatments. Medical Devices make up roughly 16%, covering diagnostic imaging & monitoring equipment, while Biotechnology, which includes: geonomic research, molecular diagnostics, vaccines, is currently at 8% but is the fastest growing piece as personalised medicine gains ground. Rehabilitation, telehealth, and wellness make up the remaining approximately 4%.

Exhibit 36: Government Healthcare Expenditure (as a % of GDP)



Source: IBEF Healthcare

Exhibit 37: Healthcare Sector Growth Trend (US $ bn)

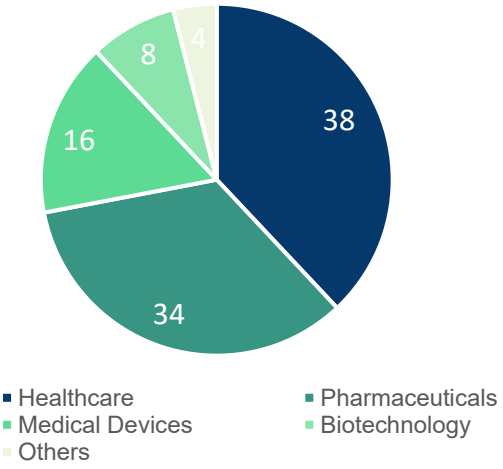


Source: IBEF Healthcare

Pharma & Diagnostics

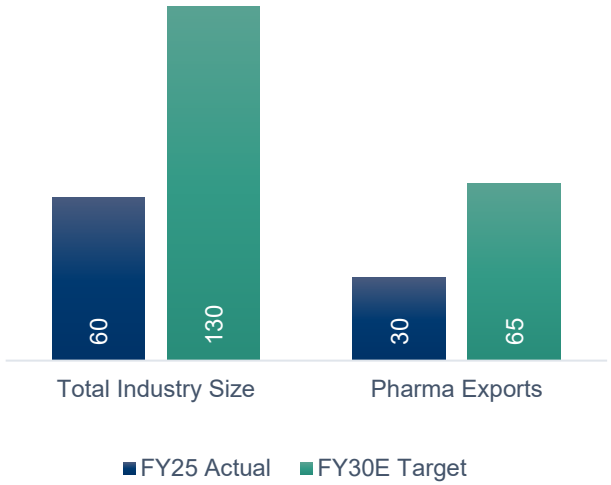
India's pharma market crossed US$ 26 bn in 2025, growing 7.9% y-o-y on chronic disease drugs and new launches, supported by a Rs. 15,000 cr PLI scheme. Exports are the bigger growth driver, reaching US$30.5 billion in FY2025 (11% CAGR over 10 years) India now supplies medicines to ~200 countries and makes 60% of the world's vaccines. Quality has also improved: USFDA compliance issues at Indian plants nearly halved in 2025. The one risk area is raw materials China's share of India's API imports rose from 66% to 74% in three years. On diagnostics, the labs market was approximated to be at ₹1.5 lakh crore in FY2024, and is set to double in 5 years, primarily driven by rising chronic disease (60%+ of deaths in India) and a shift from small local labs to organized and accredited chains. New entrants like Amazon Diagnostics are also entering the home testing space.

Exhibit 38: Healthcare Segment Split (% of total sector)



Source: Global Growth Insights

Exhibit 39: India Pharma Industry Size vs Exports (in US $ bn)



Source: Pharmexcil

Hospitals

Hospitals constitute a substantial share of India's healthcare market, accounting for nearly 80% of the Sector. The hospital segment was valued at ~ US$98.98 bn in 2023 and is projected to reach US$193.59 bn by 2032, representing a CAGR of around 8%. Importantly, the growth trajectory of India's hospital sector is no longer concentrated solely in metropolitan centres. Tier-II and Tier-III cities are emerging as significant growth markets, driven by improving healthcare infrastructure, rising purchasing power, increasing insurance coverage, and greater access to organised healthcare. Demand in these markets is estimated to be growing at 16–18% annually, compared with approximately 12–14% in metropolitan areas, highlighting the sector's expanding geographic footprint and the substantial untapped potential beyond India's largest cities.

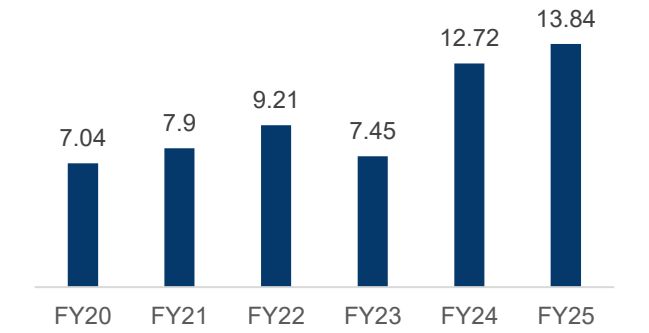
Insurance is becoming a bigger part of how this sector gets capitalised. Total health insurance premiums grew from ₹1,09,007 crore in FY24 to ₹1,18,688 crore in FY25, which works in hospitals' favor, it takes some of the financial burden off patients and makes it easier for them to access organized care.

Digital healthcare is accelerating too, partly because India's physical infrastructure isn't evenly spread across the country. The digital health market, valued at ₹75,658 crore in 2024, is projected to reach ₹4,11,275 crore by 2033 (a 17.67% CAGR), and telemedicine in particular is helping close the gap between patients in smaller towns and specialists based in big cities.

Smaller cities look like the next big growth frontier. For hospital chains, that's an entry point to move into markets where organized healthcare infrastructure is still fairly tenuous.

Growth Trends

Exhibit 40: Health Insurance Premium Collection (US$ billion)



Source: IBEF

Tech Adoption:

AI is not just an add-on anymore, but a core part of Indian healthcare. India's AI-in-diagnostics market is poised to grow three times it's current valuation by 2030, helping in addressing the shortage of pathologists and radiologists, especially in tier-2 and below cities. Startups like Qure.ai and Niramai are leading the use of AI in imaging Meanwhile, the government's ABDM digital health ecosystem has achieved more than 90 crore health IDs (ABHA) and aggregated over 110 crore health records, making it one of the largest digital health ecosystems in the world. Platforms like e-Sanjeevani (teleconsultations) and private EHR tools are leveraging the ABHA to scale their outreach, albeit with low adoption rates on a day-to-day basis.

Digital Health Opportunity

India already has around 400 million digital health users across telehealth, e-pharmacy, and home diagnostics, and this could cross 1 billion by 2030 due to the increasing use of smartphone and 5G. The digital health market itself is forecasted to grow from US$14.5 billion in 2024 to over US$106 billion by 2033. Biggest opportunities includes: tools built on top of ABDM, AI diagnostics for tier 2/3 citites, home healthcare, and data-privacy tools to meet India's new data protection law.

Genomics & Biotech

This is India's next big growth area. The bioeconomy has grown from US$10 billion in 2014 to over US$195 billion in 2025, and the government wants US$300 billion by 2030. The new BioE3 Policy, 2024 and Biopharma SHAKTI scheme (2026, US$1.2 billion) are pushing India to the forefront of gene therapy, cell therapy, biologics manufacturing, and genomics research supported by over 11,800 active biotech startups today, up from just 50 in 2014.

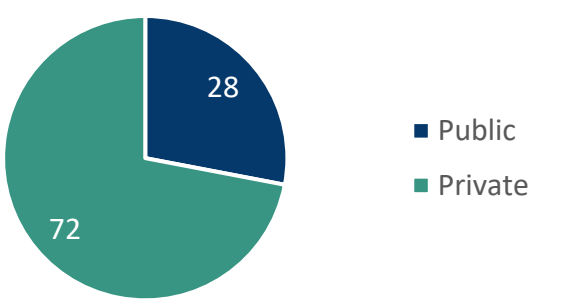
Public vs Private Sector

Before getting into individual hospital companies, it helps to understand who's actually delivering care in India. The public system carries most of the weight in primary healthcare, especially in rural areas, while private providers dominate secondary, tertiary, and quaternary care. Based on the report supplied, private providers account for roughly 70% of outpatient care and 60% of inpatient care.

The takeaway here matters for the sector as a whole: government funding and infrastructure remain a critical part of the system, but it's private hospitals that provide most of the actual treatment capacity. That means the growth of private hospital chains is tightly bound up with how India's broader healthcare system develops.

Public healthcare	Private healthcare
Strong presence in primary healthcare	Strong presencee in secondary and tertiary care
Important in rural areas	Concentrated in urban markets
Government-funded	Privately funded
Focus on accessibility and affordability	Greater focus on specialized treatment
Infrastructure constraints	Higher investment in advanced infrastructure

Exhibit 41: Public vs Private share of hospital beds (%)



Source: Niti Gov

Government Spending & Initiatives

According to IBEF, healthcare allocation rose from INR 90,958 crore in FY25 to INR 99,858 crore in FY26, a 9.78% increase. For FY27, the Ministry of Health and Family Welfare was allocated INR 1,06,530.42 crore, roughly 10% above the FY25-26 revised estimate of INR 96,853 crore. That said, the picture looks different once you weigh it against GDP. IBEF puts public healthcare expenditure at 2.5% of GDP in FY25 and 1.9% in FY26. So, it isn't quite accurate to describe government healthcare spending as simply "rising" or "falling", allocations are going up in absolute rupee terms, but as a share of the economy, healthcare spending has actually declined in the latest period. In other words, the government keeps increasing the amount it puts into healthcare, but that increase hasn't kept pace with how fast the overall economy is growing.

India has been reforming its healthcare ecosystem, focusing more on affordability, accessibility and digital readiness. In recent years, the Government has been spending more on building new hospitals, digital health adoption, expanding insurance and strengthening domestic manufacturing. Covid-19 has also led to a rise in telemedicine, making healthcare more accessible in rural and underserved areas.

One of the key initiatives is **Ayushman Bharat PM–JAY**, launched in 2018 as the world's largest healthcare assurance scheme, covering up to Rs 5 lakh per family. In October'24 the scheme was extended to senior citizens above 70 years, irrespective of income, enrolling around 9.26 million seniors by Oct'25. As of June'25 it protected 12.37 crore families.

Pradhan Mantri Bhartiya Janaushadhi Pariyojana (PMBJP): Launched in 2016 to cut out of-pocket drug costs, PMBJP has scaled Jan Aushadhi Kendras selling generic medicines at 50-70% below branded prices. The network has doubled to 15,000 outlets, with sales rising from Rs 665.83 Cr in FY21 to Rs 1,200 Cr in FY24.

Ayushman Bharat Digital Mission (ABDM) is building India's digital health backbone through unique ABHA health IDs, digitized health records, and interoperability between hospitals, labs and insurers; supporting more efficient, paperless healthcare delivery nationwide.

Major Hospital Deals

India's private healthcare sector is undergoing major consolidation, driven by rising demand for advanced specialty services, PE inflows, and corporate chains aggressively expanding into Tier 2/3 markets by acquiring regional players.

Manipal Hospitals – Completed buyout of Sahyadri Hospitals and announced an expansion of 3,000 beds, including 600 new beds in Mumbai.

Fortis Healthcare – Acquired Shrimaan Super Specialty Hospitals in Punjab for Rs 462 Cr, expanding its footprint in North India.

Baby Memorial Hospital – KKR acquired a controlling stake in Calicut's 700-bed hospital chain and funded its takeover of Meitra Hospital, in combined deals worth INR 2,000–2,500 crore.

HCG and Indira IVF – KKR acquired roughly 54% of cancer-care network HealthCare Global (HCG) for around $400 million, while EQT invested $656 million in fertility chain Indira IVF.

Challenges in Healthcare Sector

Workforce Deficit: Despite a 6-million-strong healthcare workforce, India faces a critical shortage of medical practitioners and severe regional imbalances, with Northern and Central states lagging far behind the South. The country has a doctor-to- patient ratio of approximately 1:1,500 and only.

High Medical Cost: With private providers driving 70% of outpatient and 60% of inpatient care, high medical costs place a heavy burden on families leaving an estimated 400 million “missing middle” citizens entirely uninsured.

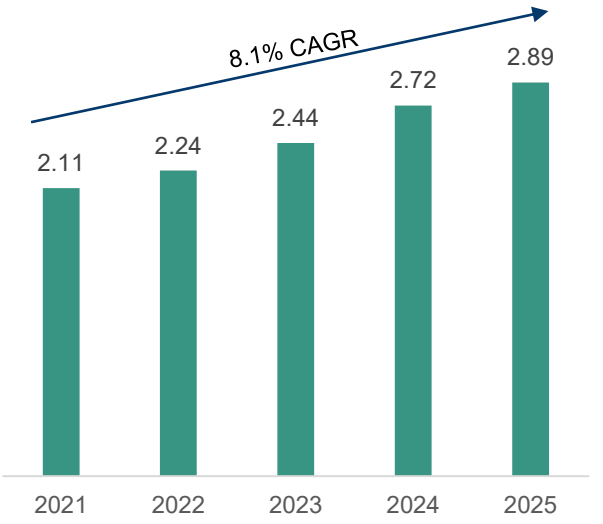
Inadequate Infrastructure: At just 1.3 beds per 1,000 people, compared to the 29-bed global median, hospital capacity is severely constrained. With private investment favoring Tier 1 cities, rural regions face critical healthcare shortages.

Defense

Global Defense Overview

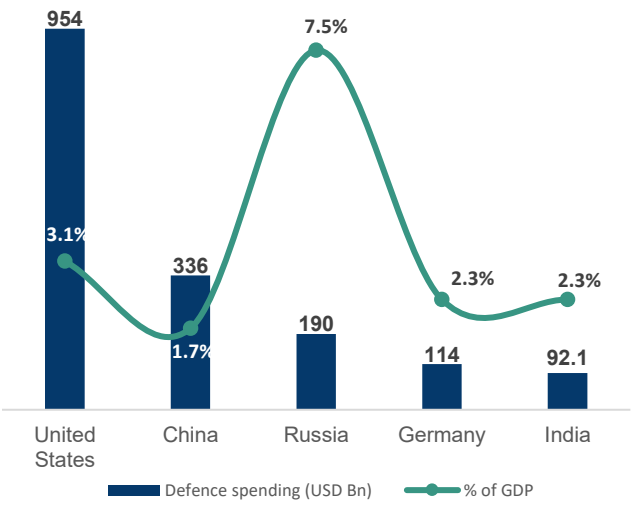
The sector is entering a sustained expansion phase as governments respond to heightened geopolitical tensions, military modernisation requirements and a growing emphasis on strategic autonomy. Global defense spending reached US$2.63 trillion in 2025, up from US$2.48 trillion in 2024, while the broader defense market is projected to expand at approximately 8% CAGR through 2030. Europe has emerged as a key growth region, accounting for more than 21% of global defense spending in 2025, compared with 17% in 2022, as countries accelerate rearmament and capability development. At the same time, procurement is shifting away from legacy platforms towards more automated, networked and technology-driven systems, including precision weapons, integrated air and missile defense, unmanned systems, electronic warfare, cyber and space capabilities, reflecting the changing nature of modern warfare. The combination of higher defense budgets, accelerated modernisation and increasing investment in domestic defense-industrial capacity is creating a broad-based and increasingly technology-intensive demand cycle for the global defense industry.

Exhibit 42: Global defense spending ($ Tn)



Source: SIPRI Military Expenditure Database

Exhibit 43: Top Countries by defense spending



Source: IISS, Sipri Defense Factsheet

Global Defense Growth Drivers

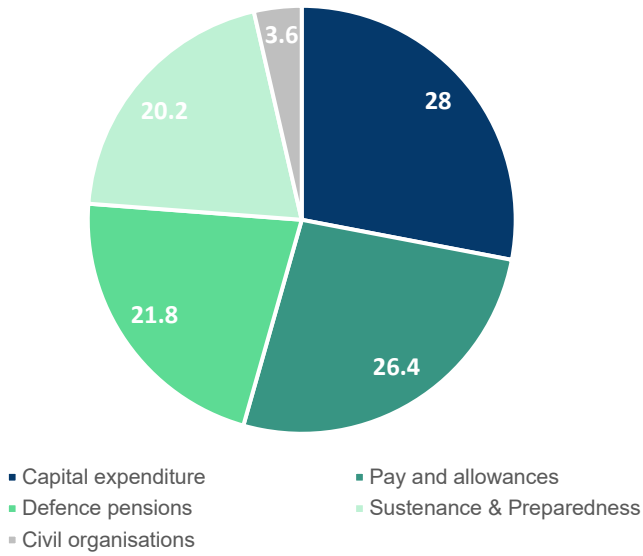
Global defense growth is being supported by a structural reassessment of national security, with governments increasing spending not only in response to active conflicts but also to strengthen long-term military readiness. Geopolitical fragmentation and intensifying great-power competition are raising threat perceptions across Europe, Asia and the Middle East, while military modernisation and inventory replenishment are creating sustained demand for new platforms, ammunition and critical defense systems. At the same time, the changing nature of warfare is shifting procurement towards precision-guided weapons, unmanned systems, counter-drone capabilities, integrated air and missile defense, electronic warfare, cyber and space, increasing the technology intensity of defense budgets. Governments are also prioritising strategic autonomy and resilient domestic defense supply chains, supporting local production and investment in defense-industrial capacity. These structural drivers have been reinforced by the Russia–Ukraine war and conflicts in the Middle East, while rising tensions in the Indo-Pacific are encouraging further capability development. In Europe, defense spending increased 14% in real terms in CY25, while European NATO members and Canada increased defense expenditure by nearly 20%, highlighting the scale of the ongoing rearmament cycle. NATO's commitment in 2025 to move towards 5% of GDP on defense and defense-related security spending by 2035 provides an additional long-term catalyst. Together, these factors are shifting global defense from a predominantly cyclical budget category towards a multi-year modernisation, replenishment and defense-industrial investment cycle.

Indian Defense Overview

India's defense sector is undergoing a structural shift from import dependence towards an indigenous, technology-led defense ecosystem, supported by rising modernization spending, policy-driven indigenization and growing export ambitions. The FY27 defence allocation stands at ₹7.85 lakh crore, up 15.2% YoY, with ₹2.19 lakh crore allocated to capital expenditure and ₹1.39 lakh crore, equivalent to 75% of the capital acquisition budget, earmarked for domestic procurement. Providing strong visibility for Indian manufacturers.

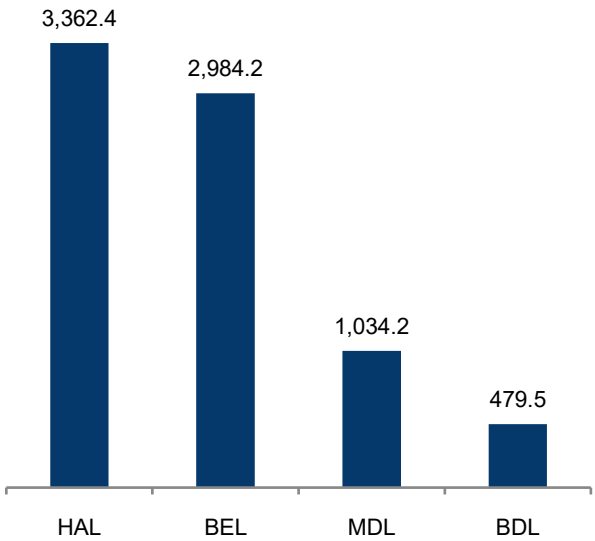
This spending is increasingly translating into domestic industrial capacity: indigenous defense production reached a record ₹1.78 lakh crore in FY26, up 15.6% YoY, while defense exports reached ₹38,424 crore, with Indian products now exported to 80+ countries. The ecosystem is also broadening beyond traditional defense PSUs, with private companies, MSMEs and start-ups gaining greater participation through procurement reforms, indigenization mandates and initiatives such as iDEX. The next phase of growth is therefore likely to be driven not merely by higher defense budgets, but by increasing domestic value addition, technology adoption, private-sector participation and export penetration.

Exhibit 44: Defense Budget Allocation FY 2026-27 (%)



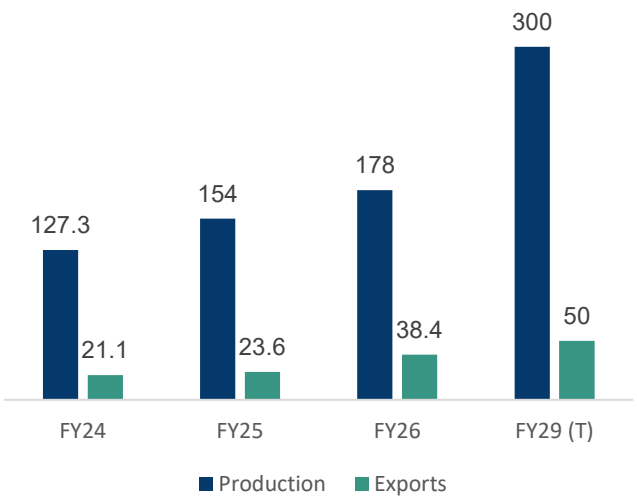
Source: PIB, Ministry of defense

Exhibit 45: Defense Stocks Market Capitalization (INR bn)



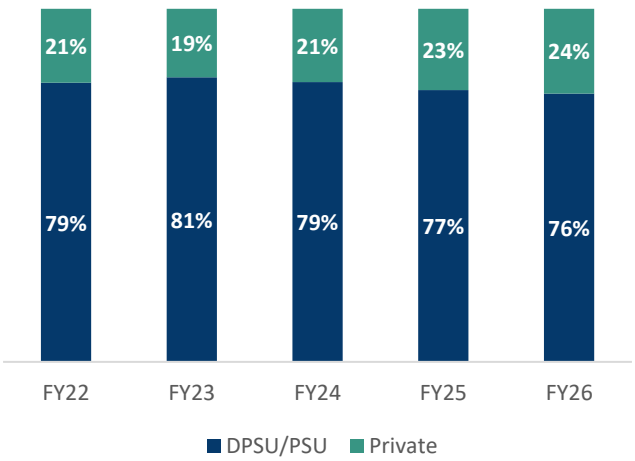
Source: NSE

Exhibit 46: Production & Exports (₹ '000 cr)



Source: DDP Dashboard, PIB

Exhibit 47: Defense Production Mix



Source: Ministry of defense, PIB

Major Defense Industry Companies

Hindustan Aeronautics Limited (HAL)

HAL designs, manufactures and services aircraft, helicopters, aero engines, avionics and aerospace structures, and is a major supplier of fighter aircraft to the Indian Air Force. HAL is executing orders for 180 Tejas Mk1A jets (83 contracted in 2021 and 97 in 2025), with first handovers targeted for August-September 2026 and annual capacity raised to 24 aircraft across three lines, including a new Nashik facility. It reported FY26 revenue of ₹33,050.0 crore on an order book of about ₹2.5 lakh crore.

Bharat Electronics Limited (BEL)

BEL is India's leading defense electronics company, manufacturing radars, missile system electronics, electronic warfare suites, avionics, sonars, communication and anti-drone systems. As lead integrator for the Akash surface-to-air missile programme and a key supplier of air defense and network-centric systems, BEL is among the key beneficiaries of the drone-era acquisitions cleared after Operation Sindoor.

Mazagon Dock Shipbuilders Limited (MDL)

MDL is India's premier defense shipyard, building destroyers, stealth frigates, corvettes and conventional submarines for the Indian Navy. It has delivered the Visakhapatnam-class destroyers and Nilgiri-class frigates, constructs Scorpene-class submarines under Project-75 (with a follow-on contract for three additional boats signed in January 2025) and is the front-runner for the Project-75(I) air independent propulsion submarine programme in partnership with Germany's TKMS.

Bharat Dynamics Limited (BDL)

BDL is the country's principal missile manufacturer and the nodal production agency for several DRDO-designed programmes. Its portfolio spans surface-to-air missiles (Akash), anti-tank guided missiles (Konkurs-M, Milan-2T and the indigenous MPATGM), the Astra air-to-air missile, torpedoes, underwater weapons and counter measure systems, making it a key player of the quick reaction and man portable missile acquisitions in the pipeline.

Recent Highlights

- In February 2026, the Ministry of Defence released the Draft Defence Acquisition Procedure 2026, proposing greater emphasis on indigenous design, development, manufacturing, and retention of intellectual property, alongside higher indigenous-content requirements.
- In April 2026, the Ministry of Defence reported that India's defence exports reached an all-time high of ₹38,424 crore in FY2025–26, up 62.66% YoY, with the private sector accounting for 45.16% of total exports.
- In June 2026, the Ministry of Defence announced that annual domestic defence production touched a record ₹1.78 lakh crore in FY2025–26, up 15.6% YoY, with private-sector output climbing to an all-time high of approximately ₹42,000 crore (24% share).
- In July 2026, the Defence Acquisition Council (DAC) accorded Acceptance of Necessity (AoN) for capital acquisition proposals worth approximately ₹52,000 crore, including AKASH TARANG anti-UAV electronic warfare systems, MPATGM systems, MRSAM weapon systems, V-SHORADS, tank active-protection systems, and jet-based kamikaze drone systems.
- In August 2026, the Department of Defence Production notified the 6th Positive Indigenisation List covering 405 strategically important items with an estimated business potential of ₹3,070 crore, creating further opportunities for domestic industry, particularly MSMEs.

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