



Why Invest in India Now

A Long Term Structural Growth Perspective

11 October 2026 | Strategic horizon 5 to 7 years

Investment conclusion

India merits consideration as a long-term equity allocation because its domestic demand, public investment and expanding commercial infrastructure can support a sustained increase in corporate cash earnings. The investment case is strongest where companies earn returns above their cost of capital and reinvest productively at prices that leave room for disappointment. We favour a measured, valuation-aware allocation over a claim that the market has reached a cyclical bottom.

The current evidence also imposes discipline. Monetary policy is tightening, the earnings outlook is uneven, and attractive national growth does not make every security attractive. This report assesses the macroeconomic foundations, the record of corporate profits, the relationship between earnings and valuation, and four structural investment themes. It then translates the thesis into risk controls for institutions and high-net-worth investors.

How to read the evidence

Verified evidence is identified by numbered sources such as [S01]. Forecasts retain the publisher, observation date and sample. Exyst interpretation describes our analytical judgment. Illustrative models are sensitivity tests, with assumptions stated explicitly; they are neither market forecasts nor promised returns. Fiscal years run from April to March. INR is the Indian rupee; one lakh crore equals one trillion rupees.

Report section	Decision addressed
Macroeconomic resilience	Can growth endure tighter policy and external shocks?
Earnings and valuation	Can shareholder returns be earned without a re-rating?
Structural themes	Where can investment convert into profitable cash flows?
Risks and implementation	What could impair the thesis and how should exposure be governed?

Prepared by Exyst Ventures Private Wealth Desk. General research for prospective institutional and HNI clients. Individual allocation requires mandate, liquidity and suitability assessment.

INVESTMENT THESIS

Executive assessment

Our view is constructively selective. A durable India allocation should be underwritten by growth in distributable earnings, sound balance sheets and disciplined entry prices. Domestic savings and economic demand broaden the sources of resilience, while the recent policy tightening and earnings revisions argue for conservative underwriting.

Verified observation	Value and vintage	Investment implication
Real GDP forecast	7.1% FY27 RBI 7 Oct 2026 ^[S01]	Demand foundation remains supportive
Inflation forecast	5.2% FY27 RBI ^[S01]	Room for policy easing is constrained



Verified observation	Value and vintage	Investment implication
Policy repo rate	5.50% 7 Oct 2026 ^[S01]	Discount rates require attention
Central fiscal deficit	4.3% GDP FY27 budget ^[S03]	Consolidation remains gradual
Central debt	55.6% GDP FY27 budget ^[S03]	Debt anchor is a medium-term objective
Nifty 50 trailing P/E	19.36x 30 Sep 2026 ^[S08]	Price must be tested against normal earnings
SIP contributions	INR 32,297 cr Aug 2026 ^[S10]	Recurring domestic funding base
Renewable capacity	299.25 GW 30 Sep 2026 ^[S14]	Large installed base and investment ecosystem

What makes the timing relevant

Exyst interpretation: Investors can assess India through both a near-term earnings cycle and a much longer build-out of infrastructure, manufacturing capabilities, payments and power systems. The near-term cycle may offer periods of lower entry valuations. The structural cycle provides the reason to continue researching businesses through those periods. A staged commitment can reduce the consequences of choosing a poor single entry date, although it can also lag an immediate investment in a rising market.

What we would avoid assuming

We do not assume persistently rising valuation multiples, uninterrupted foreign inflows, uniform consumption strength or a guaranteed policy easing cycle. The portfolio should remain viable if profits grow more slowly than consensus, capital expenditure takes longer to mature and the terminal valuation is lower. The strength of the country thesis should be judged by the cash economics of the companies actually owned.

SECTION 1

Macroeconomic resilience and growth drivers

Evidence on the growth trajectory

The RBI projects FY27 real GDP growth of 7.1%, with Q3 at 6.9% and Q4 at 6.8%. These are dated forecasts, rather than an assurance that growth will always remain within a narrow band. ^[S01] The government reports Q1 FY27 real GDP growth of 7.8%, with investment up 11.9% and household consumption up 7.1%. ^[S04] The February 2026 national-accounts update changed the GDP base year to 2022-23. Historical comparisons should use a consistent series and release vintage. ^[S16]

How domestic activity reaches company earnings

Exyst interpretation: Domestic demand offers several routes to corporate growth. Higher household spending can improve volumes; formalisation can shift activity toward listed businesses; investment can raise demand for equipment, finance and logistics. Productivity improvements can then increase the output produced for each unit of capital. Each route must be tested separately. A company gaining share may grow faster than the economy, while a capital-intensive supplier can grow sales rapidly and still produce weak free cash flow.

Real GDP growth measures the volume of economic activity. Corporate sales are reported in nominal rupees. The difference matters: a rise in commodity prices can lift reported sales without improving volumes or profitability. GDP also includes activities with little representation in the listed market. Portfolio earnings depend



on sector exposure, profit margins, taxes, financing costs and share issuance. National growth is therefore a starting point for underwriting, rather than a direct forecast of index returns.

Growth driver	Transmission to earnings	Evidence to require
Consumption	Volumes and share gains	Units sold and recurring demand
Fixed investment	Orders and asset utilisation	Execution and cash collection
Formalisation	Scale and distribution economics	Share gains after compliance costs
Productivity	Lower cost per unit of output	ROCE and cash margin improvement

The conditions for durable expansion

A sustainable trajectory requires employment and household income to keep pace with financial commitments, alongside productive investment. Growth financed by excessive household borrowing can be fragile. Growth led by public spending alone becomes harder to sustain if fiscal revenues disappoint. We would look for private investment that earns economic returns, improves supply capacity and extends across customer groups, rather than extrapolate one strong quarter.

For an institutional mandate, the useful question is whether the earnings of its specific holdings can compound through a slower GDP year. Businesses with recurring demand, low refinancing requirements and demonstrable pricing power should receive greater underwriting confidence than businesses whose case depends entirely on acceleration.

Inflation discipline and financial resilience

The target is an anchor rather than a guarantee

India retained a 4% headline inflation target and a 2% to 6% tolerance band following the March 2026 review. ^[S17] August CPI was 4.8%. The RBI forecasts Q3 FY27 inflation at 6.0% and Q4 at 5.7%, and on 7 October increased the repo rate by 25 basis points while adopting calibrated tightening. Inflation is therefore within the tolerance range at the latest cited observation but materially above the target; the upper boundary is not a comfort point.

Why credibility matters for equity valuation

Exyst interpretation: A credible inflation framework gives households and firms a reference point for long-term decisions. It can help anchor wage negotiations, financing contracts and investment hurdles. Credibility still requires the central bank to respond when inflation risks rise. That response may restrain credit and equity valuations in the near term. An allocation thesis built on macro stability should explicitly accept this trade-off rather than assume that strong growth always leads to cheaper funding.

Companies experience inflation differently. A producer with quick contractual cost pass-through can preserve margins, although its receivables and inventories may rise in rupee terms. A consumer business may protect margin by raising prices but lose volume or mix. A regulated utility may recover fuel costs with a delay. The relevant underwriting exercise separates the change in operating margin from the change in working-capital funding and financing costs.

Financial capacity to support investment

The RBI reports banking-system gross non-performing loans of 1.67% and a capital ratio of 17.87% in June 2026. It also reports a Q1 FY27 current-account deficit of 0.5% of GDP and foreign-exchange reserves of USD 734.6



billion on 2 October, with around 11 months of import cover. ^[S02] These indicators support resilience but do not eliminate credit-cycle or currency risk.

Exyst interpretation: A banking system with capital and manageable legacy credit problems is better placed to fund viable projects. Portfolio selection should still examine the liability side. Rapid loan growth can require expensive deposits, compress margins and encourage looser underwriting. The strongest lenders are those whose risk-adjusted earnings remain acceptable after normal credit losses and funding costs, rather than those reporting the highest growth in a favourable quarter.

Company exposure	Primary inflation test
Consumer franchises	Price increases versus volume and market share
Industrial suppliers	Pass-through timing and contract escalation clauses
Lenders	Deposit repricing, borrower stress and credit losses
Long-duration projects	Financing cost versus contracted project return

A debt anchor and productive public investment

The FY27 Budget targets central debt at 55.6% of GDP, compared with 56.1% in FY26 revised estimates, and a fiscal deficit of 4.3% versus 4.4%. Its medium-term anchor is approximately 50% of GDP with a one percentage point tolerance. The same document shows public capex of INR 12.2 lakh crore for FY27 versus INR 2 lakh crore in FY15. These are central-government measures and budget commitments, not consolidated centre-and-state debt or completed expenditure. ^[S03]

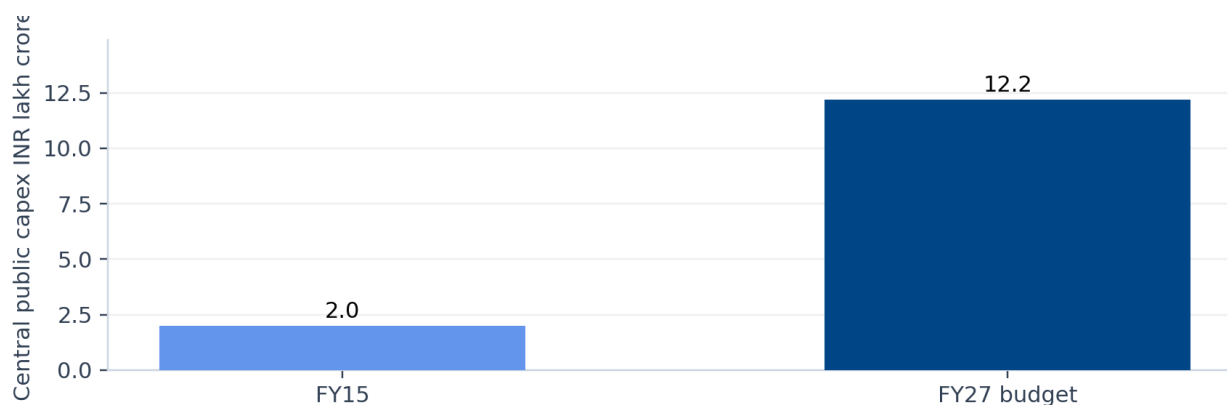


Figure 1 Nominal public capex endpoints reported in Budget 2026-27 [S03]. Fiscal-year definitions follow the Budget; this is not a real-spending growth series.

How the anchor can support private capital

Exyst interpretation: A debt anchor makes the stock of obligations central to fiscal strategy. A falling debt ratio can improve confidence in future funding capacity, provided that the decline reflects sustainable revenue and productive investment. It may also create more room to absorb shocks. This is a conditional benefit: higher interest costs, weaker nominal growth or contingent obligations can slow the adjustment even if the annual deficit target is met.

A simple debt calculation shows the importance of growth. In an illustrative economy with an opening debt ratio of 55.6%, an effective interest rate of 7% and nominal GDP growth of 10%, the inherited debt contributes about 54.1% of next year's GDP. A 1.5% primary deficit would then leave the debt ratio close to 55.6%. If nominal



growth falls to 7%, the same primary deficit would raise debt to about 57.1%. This illustration excludes valuation changes and other stock-flow adjustments; it is not an official debt forecast.

Quality of spending is the investment issue

Public projects can improve transport reliability, reduce bottlenecks and make private capacity more useful. Their contribution to shareholder returns depends on completion, utilisation and payment discipline. A contractor can win a large order while accepting low margins or financing long receivable cycles. A manufacturer can add capacity before customer demand materialises. We therefore distinguish the macroeconomic benefit of an asset from the cash return available to its listed suppliers and owners.

SECTION 2

Long-term profits and the quality of compounding

NSE's July 2026 corporate-performance study provides a multi-decade perspective through FY26. Its comparison of FY06–FY15 with FY17–FY26 shows slower revenue growth but meaningful long-run profit expansion. The table below reproduces the study's reported aggregate CAGRs. These are nominal financial growth rates for the stated index universes, not real economic growth or investor returns. ^[S20]

Universe and financial measure	FY06–FY15 CAGR	FY17–FY26 CAGR
Nifty 50 net sales	18.2%	10.6%
Nifty 50 aggregate PAT	15.4%	12.5%
Nifty 500 net sales	18.0%	11.1%
Nifty 500 aggregate PAT	14.4%	16.9%
Nifty 500 ex-financials PAT	12.8%	13.3%

Source: NSE Corporate Performance July 2026, tables 4 and 5, pp 15–16. Aggregates use available interim financials. The published period labels and calculations are retained. ^[S20]

What the record establishes

Exyst interpretation: A decade of material profit growth offers a stronger foundation than a single recovery quarter. The large-cap record also imposes restraint: the latest period's profit growth is lower than the earlier period's. India's long-term opportunity does not require an assumption that every subsequent decade will improve on the preceding one. Underwriting can start with a normalised earnings path and a stable or lower exit multiple, then test whether that combination meets the mandate's return requirement.

Broader-market profits grew faster than large-cap profits in the latest period, but the difference is not a blanket argument for smaller companies. Sector weights, index membership, financial-sector recoveries and changing business scale can affect aggregates. The ex-financials observation provides a useful second lens: profit expansion persists, although it is less pronounced than the headline Nifty 500 figure. Liquidity, governance and entry valuation remain essential when evaluating businesses beyond the largest index constituents.

The link from aggregate profit to shareholder value

Aggregate PAT growth can include earnings from newly included companies and new capital raised. An investor receives per-share earnings, distributions and a terminal price for the securities held. Those outcomes also



depend on dilution, acquisition prices, taxes, fees and valuation. We therefore use the historical study as evidence that the listed corporate sector has expanded its profit pool; we do not treat its CAGRs as the expected return of a portfolio or as a fixed-company EPS series.

The next analytical step is to identify businesses that can reproduce the economic mechanism: recurring revenue, pricing power or productivity, returns above the cost of capital, and funding that does not dilute existing owners excessively. Sustainable growth depends on the quality and quantity of reinvestment. The earnings thesis is credible when management can demonstrate how incremental capital produces incremental cash profit through an adverse cycle.

The earnings record across different cycles

Verified evidence: NSE's annual reviews report Nifty 50 adjusted profit-after-tax growth of 8.3% in FY23, 27.0% in FY24 and 5.5% in FY25. [S05-S07] The variation is economically useful: earnings growth can be strong across a cycle while remaining volatile between years.

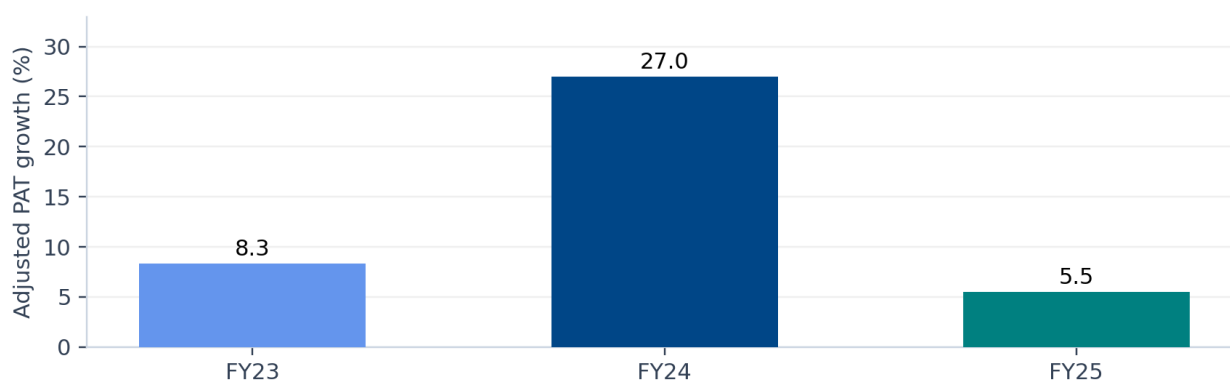


Figure 2 Annual adjusted aggregate PAT growth as published by NSE [S05-S07]. Constituents and adjustments differ between review vintages; bars are not a fixed-company EPS series.

Observation period	Nifty 50 PAT growth YoY	Basis
Q3 FY26	12.8% ^[S09]	Quarterly aggregate
Q4 FY26	8.2% ^[S11]	Quarterly aggregate
Q1 FY27	11.8% ^[S11]	Quarterly aggregate

Interpretation of the longer record

Exyst interpretation: The sequence demonstrates why annual earnings should be normalised. A favourable margin year can create a demanding base for the following year. Bank credit costs, commodity profits and exceptional items can influence aggregate growth substantially. The proper long-term thesis must explain where recurring profit comes from and how much capital is required to generate it. It should not convert the strongest annual print into a permanent growth rate.

These figures are aggregate PAT growth, rather than growth in earnings per share for an unchanged portfolio. Index membership changes, mergers, adjustments and dilution complicate comparisons. We do not chain the percentages into a synthetic EPS series or infer a shareholder return from them. They provide a dated record of different earnings environments, which is more informative than relying on a single recent quarter.



Evidence to underwrite compounding

For individual holdings, a five-year review should reconcile revenue, operating profit, cash from operations, capital expenditure and diluted share count. Reported profit growth that is accompanied by repeated equity issuance or rising receivables needs a lower valuation assumption. A company with stable margins, high incremental returns and cash-funded expansion can support a stronger compounding thesis even when its near-term revenue growth is less dramatic.

Forward earnings require conservative assumptions

NSE's September review shows consensus FY27 profit growth of 9.2% for a defined sample of 200 well-covered companies, compared with 16.4% estimated at end-March. FY28 growth is 17.2% in the September snapshot. These are analyst estimates as of 11 September 2026, not realised results or Nifty 50 EPS forecasts. ^[S11]

Consensus measure	Earlier snapshot	September snapshot
FY27 profit growth	16.4% end Mar 2026	9.2% 11 Sep 2026
FY28 profit growth	14.5% end Mar 2026	17.2% 11 Sep 2026

Source [S11], tables 31 and 32. Sample: top 200 companies by one-year average market capitalisation to June 2025, covered by at least five analysts. The figures cannot be directly combined with the Nifty 50 valuation denominator.

Why a later rebound can overstate visibility

Exyst interpretation: A lower earnings base can mechanically increase the following year's growth percentage. A stronger FY28 growth forecast can therefore coexist with cuts to the absolute earnings level. The investor must track earnings in rupees, forecast revisions and the underlying operating assumptions. A rebound rate alone is insufficient evidence that the present value of the business has improved.

A useful forecast separates revenue volume, selling prices and mix, then models gross margin, operating costs, depreciation, financing and tax. The final step is diluted EPS and cash flow. This approach exposes cases where revenue growth is largely commodity inflation or where a new plant initially depresses return on capital. It also makes the forecast easier to revise when macro conditions change.

What supports an earnings led allocation

We would prefer investment cases that can produce acceptable returns with a flat terminal multiple and operating assumptions below the most optimistic industry forecasts. At the portfolio level, that means diversifying the drivers of earnings: recurring domestic spending, productive industrial investment and businesses with strong customer economics. Exposure to a common interest-rate or commodity factor can be larger than the sector labels suggest.

Forecast component	Conservative underwriting test
Revenue	Separate volume from prices and acquisition effects
Margin	Use a through-cycle level with input-cost stress
Balance sheet	Allow for working capital and refinancing needs
Per-share profit	Include dilution, options and minority interests
Cash conversion	Reconcile profit to cash after required investment



The investment case should survive an explicit earnings downgrade. If a modest revision makes the security unattractive, its margin of safety is narrow even when the national growth outlook remains strong. This discipline is especially relevant to themes whose market expectations anticipate several years of uninterrupted execution.

Valuation discipline at the point of entry

Verified evidence: The 30 September Nifty 50 factsheet reports a P/E of 19.36x, P/B of 2.78x and dividend yield of 1.22%. [S08] A separate Quantum AMC valuation snapshot, using Bloomberg data as of 31 August, shows meaningful differences across market segments. The two snapshots have different dates and index compositions; they are not a common forward valuation dataset.

Index at 31 Aug 2026	P/E	10 year median P/E	P/B
BSE Sensex	21.2x	23.9x	3.0x
BSE 100	21.7x	24.0x	3.1x
BSE 500	23.8x	25.3x	3.3x
BSE MidCap	29.8x	30.4x	3.8x
BSE 250 SmallCap	32.6x	31.9x	3.4x

Source [S12]. Valuation medians are references, not fair-value estimates. Methodology and changing constituents affect historical comparability.

Forward alignment is conditional on earnings delivery

Illustrative calculation: An observed trailing multiple of 19.36x becomes an implied next-year multiple of 17.29x if earnings on the same denominator rise by 12% and price stays unchanged. At 8% earnings growth it becomes 17.93x. Those are arithmetic sensitivities, not published consensus valuations. They demonstrate how earnings growth can improve valuation without a rising share price; a forecast cut reverses some of that improvement.

Exyst interpretation: A below-median multiple may offer better starting economics, but the median itself may reflect a different rate regime or profit mix. A commodity company may look cheap at peak earnings. A financial business requires analysis of normal credit costs and sustainable return on equity. A consumer franchise deserves a premium only if its pricing power, reinvestment returns and growth runway support the discounted cash flows.

How much growth is already priced

Investors should reverse the valuation exercise: determine the revenue, margin and reinvestment assumptions needed to justify the current price. If a security requires persistently exceptional growth, there is less protection against execution delays. For highly valued businesses, even correct operating forecasts can produce weak shareholder returns if the multiple compresses. This creates a strong reason to compare opportunities across sectors rather than follow the most popular theme.

Our valuation preference is an acceptable return under normal earnings and a conservative exit multiple, supported by a downside assessment of debt, cash needs and asset quality. A historical valuation discount can support further diligence; it cannot replace it.

Returns earned through earnings and valuation

Illustrative model: The starting P/E is 19.36x, using the Nifty 50 snapshot solely as an arithmetic reference. Earnings grow at a constant assumed rate for five years and the price at exit equals terminal earnings multiplied



by the assumed exit P/E. All results below are annualised price returns before dividends, fees, taxes and currency changes. They are not index forecasts or allocation return promises.

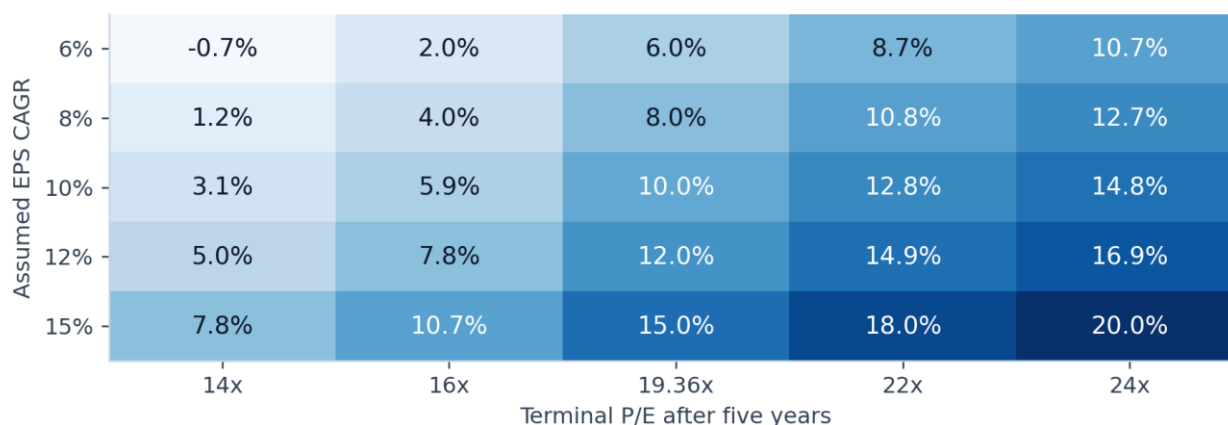


Figure 3 Exyst sensitivity calculation. Five-year price CAGR equals $(1 + \text{EPS CAGR}) \times (\text{exit P/E} \div 19.36)$ raised to one fifth, minus 1. Assumptions are independent of published consensus.

Reading the results

At 12% assumed EPS growth and an unchanged multiple, price return is 12% annually. Reducing the exit multiple to 16x lowers that result to approximately 7.8%. At 8% EPS growth and a 14x exit multiple, the result is approximately 1.2%. Earnings can rise steadily while shareholder returns remain modest if the entry price leaves insufficient room for a lower valuation.

A longer holding period spreads a one-off valuation change over more years, but it does not repair permanent business impairment. The protective mechanism is sustained growth in per-share cash earnings. Investors should avoid assuming that every temporary correction will recover or that a long horizon can substitute for a review of competitive position and balance-sheet risk.

Capital efficiency explains the sustainable growth rate

For a simplified company, a 15% return on equity and a 60% retention rate imply approximately 9% sustainable growth if leverage, profitability and share count remain stable. Achieving 12% under the same retention assumption requires a 20% return on equity. Both examples are illustrative. The framework forces the analyst to ask whether the business can finance its growth internally, rather than rely indefinitely on new debt or equity.

This is particularly valuable during an investment cycle. New capacity can depress free cash flow before utilisation improves. Strong forecast EPS growth may coexist with low present cash generation, creating sensitivity to the cost of funding. Our preferred cases demonstrate a credible path from investment to improved utilisation, then to returns above the cost of capital and cash distributions or productive reinvestment.



SECTION 2 CONTINUED

Domestic capital as a source of resilience

AMFI's cited August 2026 SIP contribution is INR 32,297 crore. [S10] Its March monthly note also provides a recent sequence of contributions that remained substantial despite monthly variation. August is the latest official SIP figure verified for this report; it is not relabelled as September data.

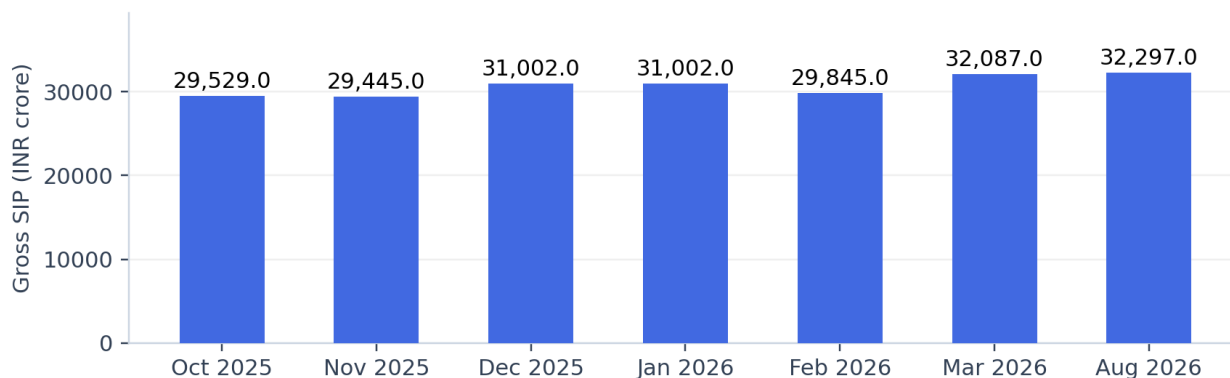


Figure 4 Gross SIP contributions [S18, S10]. April to July 2026 are omitted. Bars represent selected monthly observations, not an uninterrupted time series or net equity buying.

What the domestic cushion actually does

NSE's June 2026 ownership study reports domestic institutional ownership of 19.5% of NSE-listed company equity, versus 15.1% for foreign portfolio investors. Domestic mutual funds held 11.6%, including 9.5% in active and 2.1% in passive funds. These are ownership shares, rather than monthly purchases. Regular contributions and a larger domestic investor base can help absorb foreign selling, subject to redemptions and mandates; they do not create a price floor.

Gross SIP collections, net equity-fund subscriptions and domestic institutional investor cash-market purchases are different measures. SIP contributions can include schemes outside pure equity; fund cash deployment can differ from subscriptions; institutional purchases include more than mutual funds. Adding those figures would double-count part of the same capital. The economic question is whether net investible money remains available after redemptions, expenses, cash buffers and primary-market commitments.

Why flow resilience should not override valuation

A fund can receive fresh cash while its holdings become more expensive than their cash economics justify. Recurring investment can also concentrate in crowded smaller-company segments. Conversely, foreign withdrawals can depress valuations of viable businesses without changing their long-run earnings prospects. For the long-term investor, flows are relevant to liquidity and entry conditions; the business and price remain the primary underwriting variables.

The downside case should allow for SIP discontinuations, higher redemptions and lower domestic risk appetite at the same time as foreign selling. A balance of recent flows is not a complete stress test. We would monitor gross and net flows separately, together with fund cash positions, concentration and secondary-market depth. Portfolio liquidity should remain adequate even if the apparent domestic cushion weakens.



SECTION 3

Infrastructure and the capital expenditure cycle

Evidence and commercial mechanism

The FY27 Budget includes investment in freight corridors, waterways and an infrastructure guarantee framework alongside its public capex programme. [S03] Exyst interpretation: Better networks can improve delivery reliability and asset utilisation, supporting private investment. The investment opportunity spans construction, equipment, materials and services, but the economics differ significantly across that value chain.

Equipment suppliers can benefit from repeat orders and installed-base service revenue. Logistics operators can benefit when connectivity raises throughput and reduces empty capacity. Contractors depend more heavily on tender discipline, execution and receivable collection. Asset owners may have steadier revenue but greater leverage and sensitivity to financing costs. A shared infrastructure theme should therefore not lead to one common valuation or risk assumption.

Where profits may accumulate

We would examine technically qualified suppliers with customer switching costs, service capabilities and a manageable working-capital cycle. In contrast, commoditised procurement can transfer much of the benefit to customers through competitive bidding. The analyst should test the portion of order value that is economically profitable, how quickly that value becomes revenue, and whether cash arrives within the contractual period.

Exposure	Cash return driver	Main diligence test
Electrical and industrial equipment	Utilisation and aftermarket revenue	Margin after cost pass-through
Engineering and construction	Execution and collections	Receivable ageing and claims
Transport and logistics	Volume and asset productivity	Utilisation versus capital employed
Infrastructure ownership	Contracted cash revenue	Debt coverage and funding maturity

Investment cycle risks and timing

Exyst interpretation: Projects can take several years to move from approval to award, construction and useful operation. Order books require adjustment for cancellations, price escalation, customer concentration and execution bottlenecks. Revenues recognised before cash collection can make accounting profitability look stronger than liquidity. A mature infrastructure asset may have less visible growth but more reliable distributions than a supplier adding unutilised capacity.

The thesis strengthens when public outlays translate into completion and private customers commit their own capital. It weakens when spending misses targets, receivables lengthen or new orders are won at uneconomic prices. We would compare cash returns through a full investment phase rather than reward order announcements alone. Industrial exposure should also be aggregated across portfolio holdings so that a fiscal slowdown does not impair several positions simultaneously.



SECTION 3 CONTINUED

Manufacturing expansion and China Plus One

Verified evidence: A July 2026 government release reports that PLI schemes had attracted actual investment exceeding INR 2.40 lakh crore by 31 March 2026 and cumulative exports exceeding INR 15.2 lakh crore. The investment and export totals measure different things and cover several sectors. They do not establish the profitability of any particular listed beneficiary. [S13]

A commercial opportunity beyond relocation

Exyst interpretation: Supply-chain diversification can create opportunities for Indian producers when customers require an additional qualified manufacturing location. Domestic demand can provide a second route to utilisation. The commercial case becomes stronger where local suppliers deepen capability, improve yields and meet global delivery standards. Assembly growth by itself can generate considerable turnover with limited value added or margin.

The most useful questions concern the activity retained in India: design, precision processes, components, tooling, quality assurance and customer support. These capabilities can support switching costs and incremental returns. Investment that relies on imported components, a single customer and continued incentives may remain vulnerable to pricing pressure or changes in procurement policy.

Financial tests for manufacturing exposure

Diligence area	Evidence needed
Customer qualification	Approved products and repeat production orders
Local value addition	Domestic sourcing and retained processing margin
Capacity economics	Break-even utilisation and incremental ROCE
Subsidy dependence	Operating return excluding incentives
Export resilience	Customer diversity and tariff sensitivity
Cash generation	Inventory, receivables and capex funding

A plant should be assessed using the utilisation required to cover fixed cost, depreciation and debt service. High revenue growth during commissioning may coincide with weak cash conversion. When incentives expire, the business must remain commercially competitive on quality, cost and delivery. We would therefore model operating margins with incentives removed and capital expenditure without assuming prompt reimbursement.

Why the theme can fail at the security level

Exyst interpretation: Tariffs, shipping disruption and export concentration can offset diversification benefits. Technology changes can shorten the useful life of new capacity. High industry investment can create excess supply and lower pricing. A customer may shift production again once relative costs change. These risks warrant conservative terminal growth and stress tests of asset recoverability.

Manufacturing warrants a long horizon because qualification and capability development take time. The position should still be earned by evidence: profitable repeat orders, improving utilisation, cash conversion and returns after all investment. We would treat policy support as a catalyst whose durability needs testing, rather than a substitute for competitive economics.



SECTION 3 CONTINUED

Digital infrastructure and fintech economics

Verified evidence: NPCI's September 2026 statistics show UPI transaction volume of 24,068.38 million and transaction value of INR 29,37,396.67 crore. That is approximately 24.07 billion transactions and INR 29.37 lakh crore. Transaction value is money transferred, not payment-company revenue or incremental GDP. ^[S15]

How the framework can improve productivity

Exyst interpretation: Interoperable payments can reduce friction for consumers and merchants and improve reconciliation. A business with better transaction records may manage inventory more effectively and document cash flows for financing. Financial institutions can reduce distribution costs through digital access, although fraud, servicing and compliance costs can offset part of the saving. These are plausible mechanisms whose benefits should be verified in company unit economics.

Investible profit pools may include merchant software, risk management, processing infrastructure and financial services that solve recurring customer problems. The highest transaction growth does not automatically identify the best investment. Competitive intensity can push transaction margins lower, while customer acquisition incentives can consume the apparent advantage of an expanding network.

Separate adoption from monetisation

Business model	Quality evidence	Risk to earnings
Payments infrastructure	Net revenue after network costs	Pricing and revenue-sharing changes
Merchant software	Retention and recurring paid usage	Subsidised adoption with weak renewals
Digital financial services	Loss-adjusted contribution margin	Credit, conduct and servicing costs
Cybersecurity and compliance	Recurring enterprise demand	Technology and customer concentration

For a payment business, gross transaction value must be reconciled to take rate, net revenue and contribution margin. For a lending business, growth should be evaluated after credit losses and funding cost. For a software provider, contract renewal, retention and cost to serve matter more than application downloads. A valuation built on gross activity can overstate the cash available to shareholders.

Regulation and technology as underwriting variables

Exyst interpretation: Payment pricing and implementation timelines are policy-sensitive. We would model monetisation under the confirmed applicable rules at the point of investment and test lower fee retention. Business resilience also requires reliable systems, protection of customer information, fraud controls and the ability to fund ongoing technology upgrades. A rapidly growing platform can have substantial operational liabilities even when its physical capital needs are modest.

The long-term opportunity is wider access to efficient financial and commercial services. Our preferred exposure would show paid demand, recurring cash economics and a defensible customer relationship. Infrastructure adoption provides the opportunity set; sustainable shareholder value requires competitive returns after compliance, technology and customer acquisition expenditure.



SECTION 3 CONTINUED

Energy transition and the power system

Verified evidence: MNRE reports renewable installed capacity of 299.25 GW at 30 September 2026, including solar of 171.05 GW and wind of 59.20 GW. The total includes large hydro and excludes nuclear. Capacity is a stock of installed assets, not an annual generation measure. [S14]

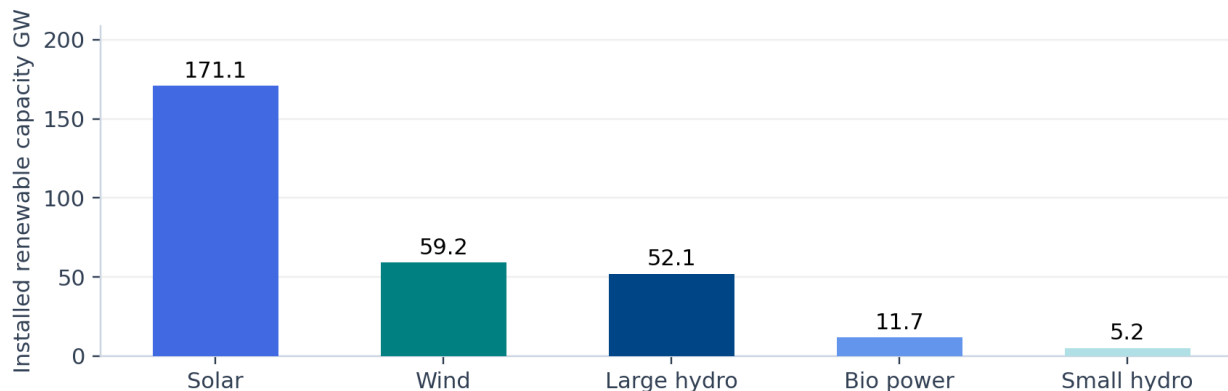


Figure 5 Renewable installed capacity by technology at 30 September 2026 [S14]. Components sum to approximately 299.25 GW; rounding differences apply.

Commercial demand and the integration bottleneck

Exyst interpretation: Power demand and the need for reliable supply can create commercial reasons to invest in generation, transmission, storage and efficiency. Renewable additions make grid integration and balancing more important. A supplier of critical grid equipment can have different economics from a solar-module producer exposed to global manufacturing cycles. A developer depends on the tariff, utilisation, financing structure and customer payment quality of each project.

The investible opportunity should be tied to a specific bottleneck and a credible customer budget. Storage economics depend on cycling, degradation and the services paid for. Grid equipment depends on qualification, delivery capacity and tender terms. Manufacturing depends on the ability to remain competitive as technology and input prices change. Maintenance businesses depend on reliable service delivery and collections from asset owners.

Returns after financing and policy support

We would test project returns against higher financing costs, commissioning delays, lower generation and slower collections. For manufacturers, we would remove incentives from steady-state margins and assess potential oversupply. For equipment suppliers, we would scrutinise advance payments, inventory funding and contractual protections. Environmental relevance is insufficient if the business earns poor returns on capital.

The theme remains attractive for research because productive power investment can serve domestic demand over many years. It also carries meaningful execution, technology and counterparty risks. Portfolio exposure should be diversified across the underlying economic drivers rather than concentrated solely in businesses whose profits depend on expanding manufacturing capacity.



SECTION 4

Risk matrix and portfolio mitigation

Exyst assessment: The following ratings are qualitative impact assessments, not probabilities. Mitigation can reduce exposure or improve liquidity; it cannot eliminate loss. Several shocks can occur together, making concentration by economic driver more important than sector labels alone.

Risk	Impact and earnings channel	Portfolio mitigation
Geopolitical disruption High	Freight, input shortages and interrupted export orders	Diversify customers and sourcing; stress inventories
Crude and commodities High	Inflation, import bill, margins and working capital	Prefer contractual pass-through; limit common exposure
Currency weakness High for foreign investors	Translation loss, imports and unhedged debt	Match hedge to currency liabilities and cost
Persistent inflation High	Higher rates, weak demand and valuation pressure	Use conservative multiples and refinancing tests
Earnings disappointment High	Lower cash flows and downward forecast revisions	Normalise margins; test a lower earnings path
Fiscal or capex delays Medium to high	Slower awards, execution and collections	Review project funding and receivable ageing
Domestic-flow reversal Medium to high	Redemptions, weaker liquidity and de-rating	Retain liquidity; assess realistic liquidation capacity
Governance and dilution High at company level	Capital leakage and lower per-share earnings	Audit RPTs, pledging, cash use and share count
Climate and monsoon Medium to high	Food prices, rural demand and operating disruption	Diversify demand; examine site and supply resilience
Technology disruption Medium to high	Obsolete capacity and lost pricing power	Test useful asset life and continuing R&D need

Mitigation requires trade-offs

A cash reserve can protect liquidity while reducing participation in a strong market. A currency hedge can reduce translation risk while incurring carry and basis costs. Diversification can reduce dependence on one shock but may dilute the upside of a successful theme. These costs should be evaluated against the mandate's loss capacity and liabilities.

Position limits should reflect adverse earnings scenarios, balance-sheet risk and tradable depth. A small holding can still be difficult to exit if market turnover is thin or ownership is concentrated. Conversely, temporary price volatility may be tolerable for a liquid company with strong cash economics. Institutions should distinguish market drawdown from business impairment while retaining procedures for both.



Domestic consumption buffers with clear limits

Why a domestic base matters

Exyst interpretation: Domestic consumption provides an earnings source that is less directly tied to overseas final demand. Essential expenditure, locally delivered services and replacement demand can persist through a global slowdown. The protection is strongest where customers retain purchasing power and companies have a recurring need to serve. Discretionary purchases and leveraged households remain sensitive to prices and funding conditions.

A domestic consumer pays for energy, transport and food either directly or through the price of other goods. A crude shock can therefore reduce disposable income even for companies with no export exposure. Companies may need to choose between preserving margin and protecting volume. A local revenue base reduces one risk channel while leaving several other channels intact.

An illustrative oil and financing stress

Hypothetical shock	First effect	Second effect
Crude prices rise 20%	Higher transport and feedstock costs	Less disposable income and tighter policy
Inputs rise before repricing	Gross margin compression	Larger inventories and cash requirements
Funding cost rises 100 bps	Higher interest on floating-rate debt	Lower coverage and investment flexibility
Receivables lengthen 15 days	Cash conversion weakens	Potential debt increase or dilution

These are Exyst stress assumptions, not oil, inflation or interest-rate forecasts. A company with INR 100 crore of floating-rate debt incurs approximately INR 1 crore of additional annual pre-tax interest under a full 100 basis point repricing, holding the debt balance constant. A business with INR 365 crore annual sales and evenly distributed sales would tie up approximately INR 15 crore more in receivables if collection time lengthened by 15 days, before tax and seasonality adjustments.

What separates resilient consumption exposure

We would examine customer affordability, repeat demand, competitive alternatives and the pace of cost recovery. Premium businesses can be sensitive to wealth effects; mass-market businesses can be sensitive to food inflation. Distribution efficiency, lower inventory obsolescence and a conservative debt structure can matter as much as brand recognition. A bank financing consumption should be assessed for borrower cash flow and underwriting quality rather than loan growth alone.

The portfolio should combine earnings drivers with different shock sensitivities. Essential services may support stability, industrial investment may support growth, and some exporters may benefit from currency translation. Those relationships are conditional; a common funding or input-cost shock can still affect all three. A credible India thesis recognises the domestic buffer and models its limits.

Currency and the foreign investor return

Translate the investment into the liability currency

Exyst interpretation: For a foreign investor, an attractive local equity return can be reduced by rupee depreciation. The relevant calculation converts the ending rupee proceeds into the investor's base currency. For an Indian HNI with overseas education, property or other liabilities, the same logic applies to that portion of wealth even when the domestic equity portfolio is reported in rupees.



Illustrative annual INR return	INR depreciation against USD	Approximate USD return
12.0%	0.0%	12.0%
12.0%	3.0%	8.7%
12.0%	5.0%	6.7%
8.0%	5.0%	2.9%

Exyst calculations: USD return equals $(1 + \text{INR return})$ divided by $(1 + \text{growth in INR per USD})$, minus 1. These are independent hypothetical scenarios before fees, taxes or hedging costs; they do not predict exchange rates.

The company impact can differ from investor translation

Currency depreciation can raise the rupee value of export receipts but also raise imported inputs, foreign-currency debt service and operating costs. A company can hedge only part of those exposures or recover changes through contracts. An exporter should therefore be assessed on its net economic currency exposure, rather than gross foreign sales. A domestic manufacturer using imported components can face margin pressure without a matching revenue benefit.

Hedging is a mandate decision

A full hedge reduces some exchange-rate uncertainty but incurs costs and may introduce basis, rollover and collateral requirements. A partial hedge can balance costs with the investor's tolerance for foreign-exchange movements. The policy should specify the currency, horizon, hedge ratio, permissible instruments and responsibility for monitoring. Hedge size should be aligned with the actual liability and liquidity profile rather than chosen to express a short-term view on the rupee.

At the portfolio level, stronger external buffers can reduce the risk of abrupt adjustment, but they do not imply a fixed exchange rate. Currency movements can remain material over a five- to ten-year holding period. We would evaluate both unhedged and hedged outcomes when assessing an India allocation against opportunities in other markets.

A disciplined comparison across countries

Institutions should compare India in their reporting currency using the same assumptions for earnings, exit valuation, expenses and withholding or other applicable taxes. A high national growth rate is insufficient to establish superior investment returns. India earns a place in the portfolio when the expected cash economics, diversification benefit and entry price compensate for its additional risks.



INVESTMENT PROCESS

Portfolio implementation and underwriting

Exyst interpretation: A strategic India allocation should fit the investor's liabilities, horizon and capacity for drawdowns. The country thesis supports consideration of equity exposure, while the final allocation is a separate decision. Domestic HNIs may already have substantial India risk through businesses, property and employment; foreign institutions may instead need to control currency and benchmark risk.

Build a diversified core and a selective thematic sleeve

A core exposure can represent a broad group of liquid businesses with different earnings drivers. A smaller thematic sleeve can express infrastructure, manufacturing, digital or energy-transition opportunities where company economics pass a higher diligence standard. The division should reflect the mandate rather than a fixed model percentage. Theme weights should be aggregated across funds and direct holdings to reveal overlap.

Staged deployment can be appropriate when valuation uncertainty is high or the investor must establish a durable commitment process. The schedule should define the amount, time interval and conditions for acceleration or pause. Market declines alone are insufficient grounds to add if the company's earnings or governance have deteriorated. Cash held for near-term liabilities should remain outside the equity deployment programme.

Proposed Exyst screen	Illustrative requirement	Reason
Returns on capital	ROCE above cost of capital; 15% initial screen	Test economic value creation
Cash conversion	Three-year CFO/PAT near or above 1x	Assess quality of reported profits
Non-financial leverage	Net debt/EBITDA below 2x initially	Limit funding dependence
Interest coverage	Above 4x under normal conditions	Allow for rate and profit stress
Customer concentration	Review any customer above 35% of sales	Assess bargaining and order risk
Promoter pledging	Above 20% merits heightened review	Identify potential financing pressure
Valuation	Acceptable return at flat or lower exit multiple	Avoid reliance on re-rating

Thresholds are proposed research screens, not regulatory rules or automatic approvals. Financials, regulated utilities, early investments and other special cases require sector-specific adjustments. A company can pass numerical screens and still fail governance or competitive diligence.

Rebalance around economics

Review holdings when the investment case weakens, cash conversion deteriorates, leverage rises or price exceeds a reasonable valuation under normal earnings. Rebalancing should also address portfolio concentration that grows after strong performance. The aim is to preserve an acceptable relationship between future cash earnings and capital at risk, with transaction costs and taxes assessed before implementation.



Monitoring the thesis and investment conclusion

Review variable	What would strengthen the thesis	What would weaken it
Growth quality	Demand broadens and utilisation improves	Growth depends on debt or prices alone
Inflation and rates	Lower pressure without demand collapse	Persistent pressure and higher funding costs
Fiscal execution	Productive projects complete and collect	Capex shortfall or contingent debt rises
Corporate earnings	Forecasts stabilise and cash follows PAT	Margin erosion and repeated downgrades
Capital returns	Incremental returns exceed funding cost	Capacity expands without economic returns
Domestic flows	Net investible savings remain durable	Redemptions and crowding increase together
Valuation	Returns are credible without multiple growth	Prices require exceptional assumptions
Governance	Transparent disclosures and disciplined capital use	Related-party leakage or unexplained dilution

A quarterly review with a longer horizon

Exyst interpretation: The investment committee should update current data each quarter while avoiding wholesale strategy changes based on one release. Review the revision of forecasts, not just the newest growth number. Reconcile profit with cash, distinguish completed investment from announced investment, and record whether valuation assumptions remain credible. An adverse development should be tied to a concrete holding or portfolio risk before deciding on action.

A country thesis can remain intact while a sector becomes unattractive. Manufacturing may expand while new supply erodes margins; digital adoption may rise while competitive pricing reduces profits; renewable installations may grow while developers face expensive funding. The monitoring process should retain that distinction and allow security-level exits without abandoning a well-supported long-term country allocation.

The investment conclusion

India's case rests on a domestic economic base and a set of productive investment opportunities that can support corporate earnings over many years. The evidence supports research and measured capital commitment, with greater confidence in businesses whose financial returns are already visible. It does not justify paying any price for a national growth narrative.

Our preferred approach combines liquidity, balance-sheet strength, returns above the cost of capital and disciplined valuation. The structural themes are investible when revenue growth converts into per-share cash earnings, with a realistic cost of reinvestment. The timing case is therefore conditional: invest when the security or portfolio offers an acceptable outcome under conservative earnings and exit assumptions, and retain capacity to withstand an adverse cycle.

For prospective institutional and HNI clients, the next decision is to define the mandate, test existing India exposures and evaluate implementation choices against liability and liquidity needs. A transparent underwriting and review process is the link between a compelling structural opportunity and a portfolio capable of holding it through uncertainty.



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Methodology and important disclosures

Evidence standards and model limits

The report uses central-bank publications, budget materials, NSE earnings studies, industry-association statistics and government capacity data where available. The historical valuation comparison and inflation-framework confirmation use explicitly identified secondary sources. Indexed official statistics for AMFI and NPCI are retained with their observation month. Figures are reproduced as data charts, with calculations clearly labelled.

The earnings history consists of annual and quarterly aggregates from separate NSE publications. The constituents, financial adjustments and reporting samples can change. These observations support analysis of earnings regimes; they are not an investible backtest, an unchanged-company EPS series or a performance record of Exyst Ventures. Forecast data reflect the defined sample and information date, and can be revised materially.

The valuation model isolates earnings growth and terminal P/E over five years. It excludes distributions, fees, transaction costs, taxes, currency movements and changes in share count beyond the assumed EPS path. It does not simulate intra-period drawdowns or refinancing stress. Currency, interest-cost, working-capital and debt illustrations are independent hypothetical calculations. No scenario probability is assigned.

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