

Tested Yet Composed

September tested patience more than fundamentals. The Iran conflict intensified, pushing Brent above \$100 and near \$107, while the US Federal Reserve raised rates by 25 bps to 3.75–4.00% on September 16, its first hike since 2023, and signalled one more this year. US 10-year yields crossed 5%, raising concerns around inflation, valuations and the cost of capital



India remained resilient. Q1 FY27 GDP grew 7.8%, August infrastructure output rose 4.8% YoY, while project announcements increased 28% to ₹14.6 lakh crore, signalling a strengthening private investment cycle. Financialisation and strong FDI continued supporting domestic capital formation, alongside structural opportunities in infrastructure, data centres and AI.

External pressures persisted, with the rupee near ₹96 per dollar and Brent above \$107 raising import-cost and inflation risks. August retail inflation rose to 4.82%, while the monsoon ended around 14% below normal. RBI dollar sales reduced reserves from \$785.7 billion to \$765.9 billion.

Despite foreign selling and seven consecutive weekly Nifty declines, domestic institutions absorbed much of the pressure. IPO fundraising reached a record ₹39,214 crore across 31 issues, led by NSE's ₹22,563 crore listing, subscribed 5.7 times. With RBI policy, inflation, the Fed and trade developments ahead, volatility may persist, while our focus remains on quality businesses, disciplined allocation and India's structural growth.

Reflections on the Month Gone By

As part of our ongoing search for tomorrow's wealth creators, we added **Gujarat Fluorochemicals Ltd, Galaxy Surfactants Ltd, Himadri Speciality Chemical Ltd, Lemon Tree Hotels Ltd, Suprajit Engineering Ltd and Zydus Lifesciences Limited** to our investment universe. These companies stood out for their strong fundamentals, differentiated business models, and potential to benefit from long-term structural trends.



We see **Gujarat Fluorochemicals** combining a resilient fluorochemicals and fluoropolymers base with significant battery-materials optionality. India's localisation of EV and BESS supply chains provides a structural growth opportunity, with successful customer qualification, capacity utilisation and disciplined execution of its ₹6,000 crore EV-focused investment key to unlocking value.

As personal-care consumption and premiumisation deepen, we see **Galaxy Surfactants** benefiting from sustained volume growth and a rising specialty-care mix. Its differentiated, value-added portfolio should support margin expansion through operating leverage, while gradually reducing dependence on commoditised surfactants and strengthening earnings quality.

We see **Himadri Speciality Chemicals** combining resilient core cash flows from coal-tar pitch and carbon black with significant battery-materials optionality. Its anode, LFP cathode and advanced conductive-carbon businesses could drive long-term growth as EV adoption accelerates, while execution, customer qualification and capital efficiency remain critical to the investment thesis.

As India's branded hospitality market expands, we see **Lemon Tree** benefiting from its asset-light shift toward management and franchising, supported by a strong room pipeline and recurring fee income. The proposed demerger could unlock the value of its fee-based platform, while operating leverage, margin expansion and deleveraging provide additional earnings growth potential.

As a global leader in control cables and India's leading halogen-lamp player, **Suprajit** is leveraging its decades-old OEM relationships and distribution network to cross-sell higher-value electronics, mechatronics and mechanical products. This shift beyond cables can increase customer value, diversify growth and strengthen content per vehicle (CPV), while its established scale provides a strong platform for expansion

As **ZyduS Lifesciences** expands beyond pharmaceuticals, its acquisition of Amplitude Surgical provides entry into the global medical devices market and the structurally growing orthopaedic implants segment. The move diversifies revenue, adds exposure to higher-entry-barrier healthcare products and complements ZyduS' broader healthcare strategy. Its manufacturing, R&D and global commercial capabilities provide opportunities to scale the platform over time.

July was marked by strong contributions from **Syrma SGS Ltd and Adani Ports**, which emerged as the portfolio's leading performers. On the other hand, **KEI Industries Limited** and **Pidilite Industries** witnessed a relatively softer month, leading to a period of modest underperformance.



Strong Q1FY27 execution and broad-based growth across auto, healthcare, IT and railways drove **Syrma SGS** among our top performers, with revenue rising 67% and PAT 112% YoY. New client additions, a ₹6,770 crore order book and robust ODM and export growth further strengthen its long-term growth visibility.

Record operational performance, with August cargo volumes reaching 50 MMT, up 19% YoY, supported **Adani Ports** among our top performers. Broad-based growth across dry cargo and containers, alongside the recent SEBI settlement removing an overhang around the promoter group, further supports the company's growth outlook.

Concerns around UltraTech's entry into wires and cables and potential competitive and margin pressures weighed on **KEI Industries**, making it one of our laggards. However, strong demand across power transmission, infrastructure and exports, supported by its extensive distribution network and capacity expansion, provides a solid foundation for sustained growth.

Crude price volatility and geopolitical tensions raised concerns around near-term input costs, making **Pidilite Industries** one of our laggards. However, resilient demand, continued premiumisation and its partnership with Hwaseung Chemical to tap India's growing footwear market strengthen the company's long-term growth opportunities.

We exited **Mahindra & Mahindra Ltd** and **ICICIAMC** to increase cash availability, enabling us to reduce large-cap exposure and selectively redeploy capital into higher-growth opportunities and emerging high-conviction ideas.

Note: The stocks mentioned above are part of a broader stock universe of approximately 50 stocks that we actively track. Individual portfolio holdings may vary based on factors such as market conditions, portfolio strategy, and timing of entry. These stocks are highlighted for reference and may not be present in all client portfolios.

The Way Forward

As we enter October, we remain focused on India's structural growth and fundamentally strong businesses, while using market volatility and evolving macro conditions to selectively deploy capital into high-conviction opportunities.

Thank you for your continued trust and confidence. We remain dedicated to preserving and compounding your wealth through a disciplined, research driven investment approach

Warm regards,
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