

Built to Withstand

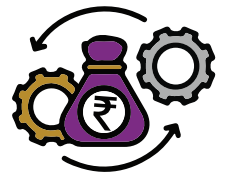
August was defined by a tug of war between global uncertainty and domestic resilience. The Iran conflict, now six months old, kept energy markets on edge. Crude stayed below \$90 a barrel for most of the month, but a US strike on Iranian launchers on Larak Island, followed by Iranian retaliation against US bases, pushed Brent back above \$90 and revived fears over the Strait of Hormuz. Diplomatic efforts continue, yet the outlook remains uncertain.



This energy shock fed into inflation and rate expectations. US Treasury yields climbed through August, with the thirty-year yield touching around 5.34 percent, carrying implications for global borrowing costs and capital flows. Japan spent a record \$96.5 billion between July 30 and August 26 defending the yen, which had slipped to its weakest level in four decades.

India navigated similar pressures. The rupee hovered around ₹95 to ₹96 per dollar, and elevated crude prices combined with a softer currency kept imported inflation in view. Even so, foreign exchange reserves hit a record \$729.3 billion as of August 21, giving the country meaningful flexibility against global shocks. The monsoon added a note of caution, with cumulative rainfall about 13 percent below normal, though forecasts point to further widespread rain ahead.

Importantly, India's underlying economic growth remained resilient despite these challenges. Q1 FY27 GDP grew 7.8%, ahead of the 7.3% consensus expectation, supported by strong services and investment. Services grew 10%, manufacturing 9.2% and financial, real estate and professional services 12.1%. Gross fixed capital formation, a measure of investment, rose 11.9%, while private consumption grew 7.1%. This highlights the strength of domestic economic activity even amid global headwinds.



Looking ahead, September rainfall, India US trade talks, crude prices, and Federal Reserve signals will shape sentiment. Even so, India's fundamentals, expanding trade ties, a deepening investor base and strong reserves, remain supportive. We stay anchored to quality businesses, disciplined capital allocation and India's structural growth story, since patience continues to outperform reaction, and uncertainty often creates opportunity for those willing to wait.

Reflections on the Month Gone By

As part of our ongoing search for tomorrow's wealth creators, we added **Varun Beverages**, **HDFC Bank**, **Billionbrains Garage Ventures Ltd (GROWW)**, **Pine Labs Limited**, **One 97 Communications Ltd (PAYTM)**, **KEI Industries Limited** and **VA Tech Wabag 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.

As India's consumption story expands, we added **Varun Beverages** as our FMCG bet, with the company continuing to strengthen its presence in international markets. Its entry into the alcoholic beverages segment

also opens a new growth opportunity and provides scope to diversify beyond its existing portfolio.

With **HDFC Bank** trading near its 52-week lows at an attractive valuation, we initially maintained our position, viewing the weakness as largely sentiment-driven rather than reflective of any fundamental deterioration. However, as more compelling investment opportunities emerged, we subsequently exited the position to redeploy capital towards ideas offering a more attractive opportunity.

As India's retail investing base continues to expand, we added **GROWW** for its strong retail franchise, growing user base and increasing market share. Its ability to offer MTF, commodities, credit and wealth products to existing customers creates multiple revenue opportunities, while operating leverage should improve as the platform scales.

With India's commerce becoming increasingly digital and formalised, **PAYTM** offers a strong opportunity through its large merchant and consumer base. We see significant potential from higher payment monetisation, merchant lending, financial services, Soundbox and POS, allowing the company to generate more revenue from its existing ecosystem.

As digital payments and merchant technology continue to grow, **Pine Labs** provides exposure to India's expanding merchant-commerce ecosystem. Its strong merchant network, POS infrastructure and technology create meaningful entry barriers. Future growth could come from payments monetisation, merchant software, loyalty, credit and other value-added services.



Driven by rising investments in data centres, EVs, power infrastructure and housing, we added **KEI Industries** to benefit from India's growing demand for cables and wires. Strong domestic demand, expanding exports and additional manufacturing capacity provide multiple growth drivers and should support sustained revenue and

earnings growth.

As water scarcity and industrial water requirements increase, **VA Tech Wabag** offers exposure to the growing water-treatment opportunity. Its expertise in desalination, water reuse and advanced treatment solutions positions it well for complex projects across industries such as semiconductors, data centres, green hydrogen and advanced manufacturing.

August was marked by strong contributions from **Azad Engineering Ltd** and **E2E Networks**, which emerged as the portfolio's leading performers. On the other hand, **Jain Resources Limited** and **Time Technoplast** witnessed a relatively softer month, leading to a period of modest underperformance.

Azad Engineering was our top performer, driven by strong revenue and profit growth, expanding margins, capacity ramp-ups and increasing exposure to aerospace and defence. The delivery of India's first indigenous turbojet engine further strengthens its technology credentials and long-term growth opportunity, while management continues to target over 25% annual revenue growth.

E2E Networks was one of our strongest performers this month after delivering an impressive Q1FY27. Strong demand for AI compute and rapid AI infrastructure expansion drove near full utilization of newly deployed Blackwell GPUs. Management also highlighted improving long term contracts and its evolution into a comprehensive Sovereign AI platform.

Jain Resource was our laggard for the month, mainly due to weaker commodity margins amid Middle East-related disruptions and elevated shipping costs, which have not yet been fully passed through. However, product-level margins are recovering, while new value-added product expenses are expected to normalise, supporting margin improvement ahead.

Crude price volatility and near-term concerns around input costs weighed on investor sentiment this month, making **Time Technoplast**, one of our weaker performers. However, the company continues to strengthen its growth platform through the TPL Plastech merger, strategic investments and its proposed acquisition of Systoverse, supporting its long-term expansion across industrial and sustainable solutions. We exited our positions in **State Bank of India, Reliance Industries, Groww Power ETF, Motilal Oswal Nifty India Defence ETF (MODEFENCE) and ITBEES** to increase cash availability and create flexibility to participate in more attractive opportunities. While large-cap stocks and sector ETFs have served as important portfolio anchors and provide liquidity when required, we believe the current environment favours a bottom-up approach, focusing on businesses aligned with domestic value and growth trends to create long-term value.

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 September, markets are likely to remain influenced by global macro developments, commodity prices, currency movements, monsoon trends, and evolving earnings expectations. While near-term volatility may persist, we remain constructive on India's long-term growth outlook. We continue to focus on businesses with durable competitive advantages, strong fundamentals, and sustainable earnings growth. Market volatility can create opportunities to add to high-conviction ideas, and we remain committed to deploying capital selectively with discipline and a long-term perspective.

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,
Team Hedge

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