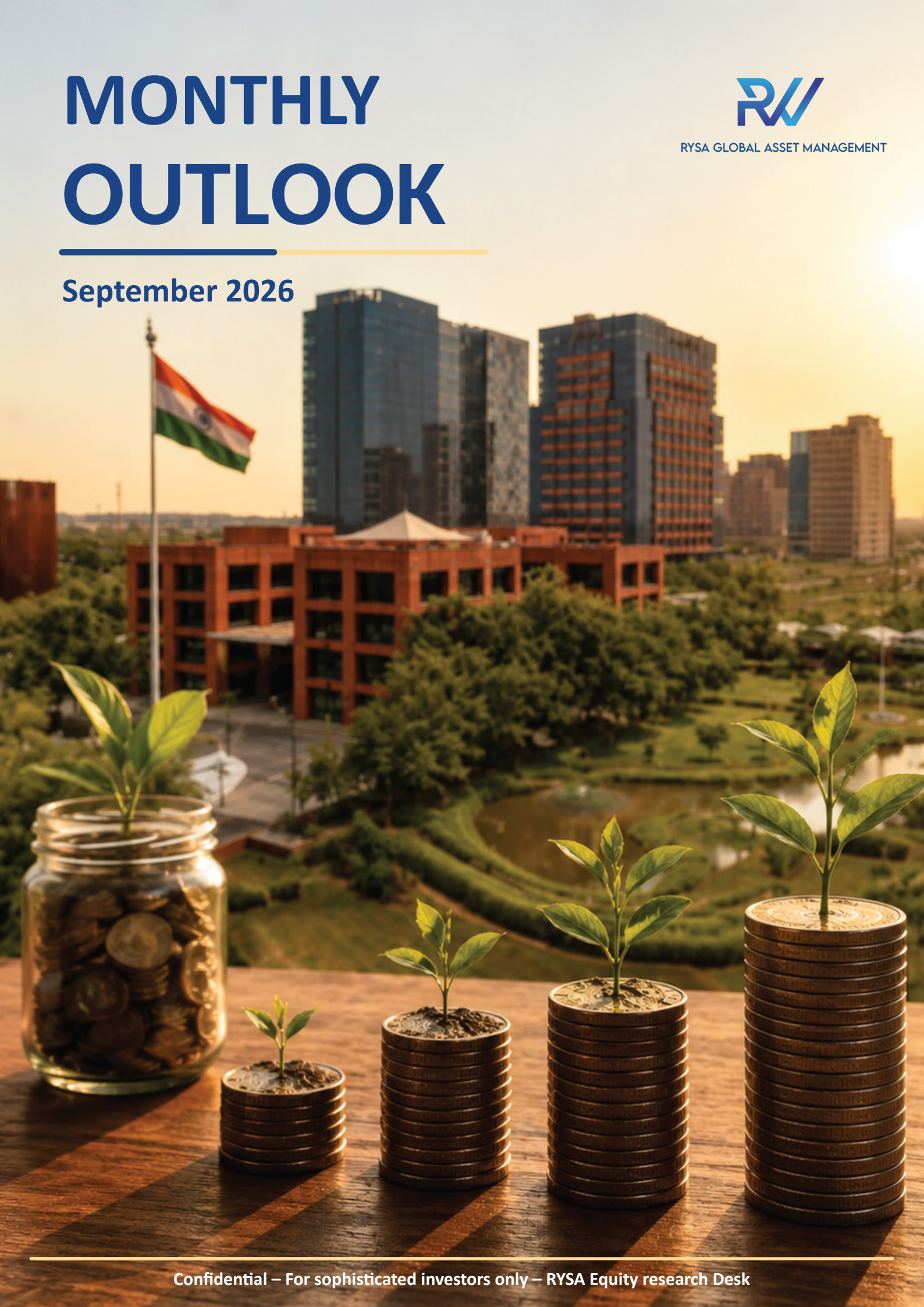
# MONTHLY OUTLOOK

RYSA GLOBAL ASSET MANAGEMENT

## September 2026



Confidential – For sophisticated investors only – RYSA Equity research Desk

# RYSA MACRO INTELLIGENCE BRIEF VOL. 3

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INDIA THEMATIC OUTLOOK

# Made in India,

## sold to the world — on better terms, with one large exception

In twelve months India has put four trade agreements into force or on a fixed date, taken PLI investment past ₹2.4 lakh crore, and moved electronics from assembly into components and chips. Delivery is concentrated: electronics has taken over half of all PLI cash paid. And the US — India's largest market — now holds a statutory, litigation-proof tariff authority aimed squarely at India's Russian oil purchases. This note maps which sectors benefit, by how much, and what is still only a promise.

**September 2026**

Data as at 30 September 2026
Restricted distribution — professional and eligible investors only

**$863.1bn**
India's total exports, FY26 — a record (Commerce Ministry, July 2026)

**54%**
Share of all PLI incentives paid to electronics (₹15,554 of ₹28,748 cr)

**~12%**
Deposit growth excluding FCNR(B), against 17.3% reported (RYSA estimate)

**~18 Oct**
Deadline for mandatory US action against the largest Russian-oil buyers

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### Dates that could move these views

**7 Oct**
RBI MPC decision; a hold is the base case with CPI at 4.82%

**~18 Oct**
Deadline for mandatory US action under the Russia-oil Act, up to 100%

**20 Oct**
India–New Zealand FTA in force; 100% of Indian exports duty-free

**31 Oct**
Cotton import duty exemption lapses unless extended

HOUSE VIEW

# The thesis in one page

Two different things are being sold to investors under the "Make in India" label, and they should not be priced the same way. The first is **trade access**: since April 2021 India has put agreements with Mauritius, the UAE, Australia, EFTA, Oman and the UK into force, and the New Zealand FTA follows on 20 October 2026. These change the landed cost of Indian goods in specific markets. The second is **industrial subsidy**: PLI, ECMS and the semiconductor mission, which change the economics of building capacity at home.

The evidence is strongest where both overlap. Electronics is the clearest case: production reached ₹13.11 lakh crore in FY26, mobile phones became India's largest export item, and electronics exports rose 89.98% year on year in August 2026 to $5.55 bn. Electronics has also taken **54% of every rupee of PLI incentive paid** across all 14 schemes.

The evidence is weakest where the money has not arrived. Incentives disbursed were ₹28,748 crore to December 2025 against a ₹1.91 lakh crore outlay — and against ₹20.41 lakh crore of cumulative production, a **realised incentive of about 1.4% of sales**, well below headline scheme rates. Threshold design is binding. Semiconductor companies have 12 approved projects, of which five packaging plants are in commercial production.

Over all of this sits the United States. Duties on most Indian goods moved from 10% to 50% and back to 10% in eighteen months; the current 10% rests on Section 301. On 18 September the US enacted a law that **requires** the President to act within 30 days against the largest buyers of Russian oil, at a rate of up to 100%. Unlike the IEPA tariffs the Supreme Court struck down in February, this authority is expressly granted by Congress and is far harder to challenge. The February tariff relief was premised on India's commitment to stop buying Russian oil; Russian crude was still about 45% of India's intake in August. We treat this as the largest risk in the report.

**THE NUMBER THAT FRAMES THE MONTH**

**1.4%**

PLI incentive actually paid as a share of cumulative production (₹28,748 cr on ₹20.41 lakh cr, Dec-25). Only ~15% of the outlay has been disbursed, and only to firms that crossed production thresholds.

**WHY THAT MATTERS**

Disbursement concentrates where firms cleared thresholds — electronics alone (₹15,554 cr under LSEM and IT Hardware 2.0). Execution, not eligibility, separates outcomes.

**THE OFFSETTING COST**

Schemes sunset. The mobile PLI has concluded and is succeeded by the ₹62,500 cr Mobile Phone Manufacturing Scheme (FY27–31). Earnings that lean on incentives need a successor scheme to hold margins.

## Six sector-level calls

POSITIVE

**Electronics has graduated from assembly to components**

ECMS approvals exceed the original investment target and the Budget lifted the outlay to ₹40,000 cr. Note that recent approvals are much smaller — the last 60 projects average ~₹250 cr against ~₹1,190 cr for the first 46. Count commissioning, not approvals.

POSITIVE

**FTA benefits are market-specific and dated**

UK (15 Jul-26), Oman (1 Jun-26) and New Zealand (20 Oct-26) are live or fixed. The EU is a 2027 story. We map exporters by destination, not by sector label.

CONSTRUCTIVE

**Semiconductors: real, early, narrowly listed**

Semicon 2.0 (₹1,27,500 cr) extends the runway; 5 of 12 projects ship. Public outlay covers ~47% of ISM 1.0 capex, and one unlisted fab is 56% of it — listed exposure is thin.

WATCH ITEM

**The US is the swing factor — and the risk has risen**

A 10% Section 301 duty applies today. The 18 September Act mandates action within 30 days, on a statutory basis that should survive challenge. Its text covers all goods from a covered country, so today's smartphone and generic-medicine exemptions are not guaranteed to carry over.

CONSTRUCTIVE

**Apparel over home textiles**

UK duties of up to 12% on Indian clothing fell to zero in July. Apparel exporters diversified toward the UK/EU gain; US-heavy home-textile segments carry tariff beta.

WATCH ITEM

**Underwrite delivery, not announcements**

We score policy exposure on disbursed incentives, commissioned plants and utilised tariff preferences. Approvals and MoUs are optionality, not earnings.

Sources: Reserve Bank of India, Sectoral Deployment of Bank Credit, July 2026; Association of Mutual Funds in India; RYSA Research estimates

MACRO & LIQUIDITY

# Deposits catch up — mostly in dollars

Deposit growth hit a 15-year high at end-August and the credit–deposit gap is under one point. But almost all of the acceleration is one-off, swap-subsidised FCNR(B) money. Underlying deposit growth is roughly where it was in May.

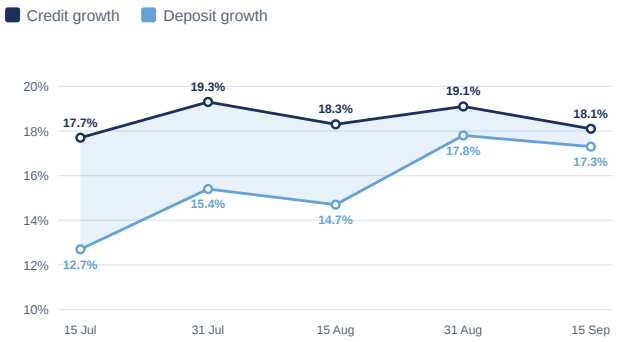
**7.8%**
Real GDP growth, Q1 FY27, vs 6.9% a year earlier; real GVA grew faster at 8.2% (NSO, 31 Aug)

**5.25%**
Repo rate, on hold at a fourth straight MPC; last cut Dec-25. Real policy rate ~0.4%

**4.82%**
CPI inflation, Aug-26 — above the 4% target, inside the 2–6% band (MoSPI)

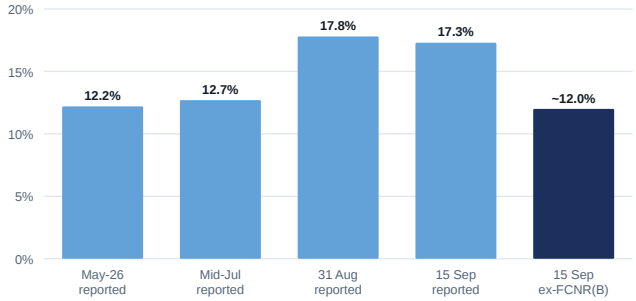
**17.3%**
Deposit growth at 15 Sep (17.8% at 31 Aug); ~12% excluding FCNR(B)

## Exhibit 1 — Credit vs deposit growth, scheduled commercial banks (% YoY)




Source: RBI fortnightly data, as reported by Business Standard (14 Aug 2026), and RBI Bulletin, Sep 2026. This is total bank credit (fortnightly series); the 19.1% on page 05 is nonfood credit from the separate sectoral release.

## Exhibit 1a — Reported deposit growth vs our ex-FCNR(B) estimate (% YoY)




RYSA calculation. ~$133 bn FCNR(B) at ₹93–95/$ ≈ ₹12.4–12.6 lakh crore, removed from ₹276.2 lakh crore deposits at 15 Sep against a year-ago base of ₹235.5 lakh crore. Assumes FCNR(B) inflows are fully incremental; any switching out of existing NRE deposits would raise the ex-FCNR(B) figure.

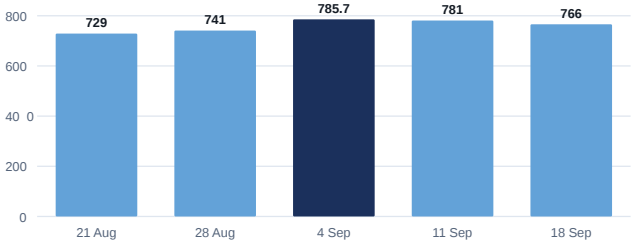
## What is driving the deposit recovery

**Hard-currency deposits, at unprecedented scale.** The RBI's concessional swap window, opened on 8 June, drew about **$133 bn of FCNR(B) deposits by 31 August,** when the deposit leg closed a month early. That figure was revised up from $127.23 bn in RBI's provisional release of 2 September. Including ECBs and overseas borrowings, total inflows passed **$143.5 bn by 18 September**; the ECB/OFCB leg stays open to 31 December. For scale, the 2013 window raised roughly $26 bn.

**Strip it out and little has changed.** $133 bn is about 4.6% of system deposits — essentially the entire jump from 12.7% in mid-July to 17.8% at endAugust. Excluding it, deposit growth at 15 September is **about 12%**, in line with 12.2% in May. On the same basis the credit–deposit ratio is **~84.7%**, not80.8%.

**Three consequences.** The 17.8% is a level shift, not a run-rate, and reverses mechanically in year-on-year data from June–September 2027. The deposits carry 3–5 year tenors, so they mature in FY30–FY32. And the swap subsidy is a transfer from the RBI to bank funding costs that lapses with the window.

## Exhibit 2 — Forex reserves, weekly (US$ bn)




Source: RBI Weekly Statistical Supplement (4 Sep 2026); 11 and 18 Sep readings via Trading Economics (secondary). Record $785.7 bn in the week to 4 Sep.

### Why a record reserve build came with a weaker rupee

Under the swap, banks sell their FCNR(B) dollars to the RBI spot and buy them back forward. Each swap dollar lifts gross reserves but arrives with a matching forward sale obligation, and none of it reaches the spot market. The $785.7 bn record is gross. Net reserves — gross less the forward book — are the better measure. RBI data put its net short forward book at a record $136.8 bn at end-July, up from $103.3 bn a month earlier, with $91.5 bn maturing beyond one year — largely the swap legs. Against gross reserves of about $717 bn at the time, net reserves were roughly $580 bn.

## MACRO & LIQUIDITY

### Where the regulator now looks

The RBI's September Bulletin argues the credit–deposit ratio should not be read in isolation. The ratio rose from 68.6% (Sep-21) to 82.2% (Mar-26); the incremental ratio peaked near 114% in May 2026 before FCNR(B) inflows brought it down. On outstanding balances at 15 September (credit ₹223.3 lakh crore, deposits ₹276.2 lakh crore) the ratio is 80.8% on our arithmetic.

**Rates.** CPI at 4.82% against a 5.25% repo leaves a real policy rate of about 0.4%, with the RBI expecting inflation to peak in October–December. That leaves little room to ease and makes a hold the base case at the 5–7 October MPC.

**Our read**

The funding constraint has loosened through one channel — lumpy, nonresident, swap-subsidised dollar deposits — not through broad-based deposit growth. For lending it buys time rather than changing the structural picture. The offsetting risks are inflation, a weak rupee, and the FY30–FY32 maturity of the FCNR(B) book.

| Indicator | Latest | Prior | Period / source |
|---|---|---|---|
| Real GVA growth · GFCF growth · Manufacturing GVA | 8.2% · 11.9% · 9.2% | 7.0% · 5.8% · 8.3% | Q1 FY27 vs Q1 FY26 · NSO press note, 31 Aug 2026. GVA above GDP is consistent with lower net indirect taxes after the GST 2.0 rate cuts. |
| HSBC flash composite output index (mfg output · services activity) | 56.5 (58.2 · 55.8) | 54.3 (54.8 · 54.1) | Sep-26 flash vs Aug final · HSBC / S&P Global, 23 Sep. Headline manufacturing PMI 55.7, from a five-year low of 52.8. Q3 composite averaged 55.1 vs 58.2 in Q2. |
| New export orders (PMI) | Weakest in ~3 years | — | Sep-26 flash · as reported by Reuters / Business Standard, 23 Sep |
| Merchandise trade deficit | $26.86 bn | $27.20 bn | Aug-26 vs Aug-25 · Commerce Ministry (PIB), 15 Sep 2026 |
| Money supply (M3) growth | 16.6% | 14.2% | 15 Sep vs mid-Aug · RBI Bulletin, Sep 2026 |
| Bank credit growth (SCBs, total) | 18.1% | 19.1% | 15 Sep vs 31 Aug · RBI Bulletin, Sep 2026 |

Sources: NSO/MoSPI (31 Aug 2026); MoSPI CPI (14 Sep 2026); RBI MPC statement (5 Aug 2026); RBI Bulletin (Sep 2026); RBI swap-window data (2 and 22 Sep 2026, as reported); S&P Global flash PMI release (23 Sep 2026). Ex-FCNR(B) deposit growth and credit–deposit ratios are RYSA calculations from reported balances.

CREDIT, TRADE & THE US

# Credit, trade and the US, in one page

Bank credit by segment, August export data, India's trade agreements and the US tariff outlook — the credit and external conditions behind the house view.

## 3.1 The credit engine — growth is broad, unevenly earned

Non-food bank credit grew 19.1% YoY at end-July 2026 (9.9% a year earlier; 41 select banks, ~95% of non-food credit). Collateral still does much of the underwriting: loans against gold jewellery grew 88.1% (136.4% a year earlier), but gold prices rose ~40%, so growth in gold-weight terms was nearer 30–35% (RYSA estimate). Industry and services lead; retail is uneven, with cards and durables the slowest large segments.

| Segment | Jul-26 YoY | Jul-25 YoY |
|---|---|---|
| Non-food credit | 19.1% | 9.9% |
| Industry (medium 30.5%, large 17.7%) | 20.0% | 6.5% |
| Services (NBFCs 35.7%) | 22.9% | 10.2% |
| Agriculture & allied | 17.0% | 7.3% |
| Personal loans (vehicle 18.8%, housing 11.3%) | 16.2% | 11.9% |
| Loans against gold jewellery | 88.1% | 136.4% |
| Credit card outstanding | 2.3% | 5.6% |

Exhibit 3. Source: RBI press release (31 Aug 2026); Business Standard (31 Aug 2026). Our August factsheet's July segment figures have been corrected to the RBI release (e.g. industry 21.6% → 20.0%); the RBI series also changed basis from 40 banks (~93%) to 41 banks (~95%).

## 3.2 India in the news — two positive developments

**August exports jump 26%, led by electronics.** Merchandise exports rose to **$43.81 bn** (+26.1% YoY); electronic goods +89.8% to $5.55 bn; Apr–Aug FY27 total exports $399.3 bn (+15.6%). It is the first full month with UK CETA preferences live. The other side: oil near $90/bbl flatters values, the goods deficit ($26.86 bn) was barely below a year earlier, and September's flash PMI put new export orders at a ~3- year low.

| Exports by driver, US$ bn | Aug-25 | Aug-26 |
|---|---|---|
| Merchandise | 34.7 | 43.8 |
| Engineering | 9.9 | 12.3 |
| Petroleum | 4.2 | 6.8 |
| Electronics | 2.9 | 5.5 |

Exhibit 4. Source: Commerce Ministry/PIB (15 Sep 2026). Engineering Aug-25 value derived by RYSA from reported growth of 24.86%.

## 3.3 New Zealand & Canada — one live, one still at the table

**New Zealand (in force 20 Oct 2026):** 100% of Indian exports duty-free from day one; US$20 bn private-investment promotion over 15 years; 5,000 TEE visas. Twoway trade is only ~NZ$3.95 bn — a positive signal for niche exporters, not an earnings event. **Canada (negotiating):** round 5 from 5 Oct; end-2026 target; C$30.4 bn two-way trade. Zero weight in earnings until signed.

## 3.4 India's exports — FY25 vs FY26 (US$ bn)

| Exhibit 5 | FY25 | FY26 | Change |
|---|---|---|---|
| Merchandise | 438 | 442 | +0.9% |
| Services | 387 | 421 | +8.9% |
| Total | 825 | 863 | +4.6% |

Exhibit 5. FY26 per Commerce Ministry release of 28 Jul 2026 (US$863.1 bn); FY25 per the 15 Apr 2026 release.

**A potential asset nobody is pricing.** Duties collected under the voided IEEPA tariffs are an illegal exaction, so US importers who preserved their rights may claim refunds of the 25% + 25% paid on Indian goods between August 2025 and February 2026. Refunds flow to the importer of record, not to Indian exporters directly, but they are a live element in pricing negotiations for US-concentrated exporters.

## 3.5 Trade architecture — where the tariff cuts land

| Agreement | Status | What changes for Indian exporters |
|---|---|---|
| UAE CEPA | In force May-22 | Zero duty on ~90% of exports; exports US$37.4 bn in FY26 |
| Australia ECTA | In force Dec-22 | Interim deal; full CECA under negotiation |
| EFTA TEPA | In force Oct-25 | Binding US$100 bn FDI commitment over 15 years |
| Oman CEPA | In force Jun-26 | Duty-free share of exports 15.33% → 99.38% |
| UK CETA | In force 15 Jul-26 | ~99% of UK lines liberalised at entry |
| New Zealand FTA | 20 Oct-26 | 100% of Indian exports duty-free |
| EU FTA | Concluded | 91–95% of exports to zero once in force; signature ~Dec-26, EIF 2027; CBAM stays |
| Canada CEPA | Negotiating | End-2026 target; no tariff has changed |

Exhibit 6. FTA tracker, status as at 30 September 2026. Source: Ministry of Commerce & Industry / PIB; EFTA Secretariat; UK Trade Tariff Service; NZ MFAT; European Commission.

**UK duties eliminated on 15 July (max pre-CETA rate):** processed food up to 70%, marine 21.5%, engineering & auto parts 18%, leather & footwear 16%, textiles & clothing 12%, chemicals & pharma 8% — all to zero. Apparel, leather and marine gain most across agreements; steel and aluminium face a headwind (CBAM, EU quotas). Preferences are not automatic: utilisation, not headline access, drives earnings.

## 3.6 The US — the swing factor, re-rated

**Duty path on most Indian goods:** 10% (Apr-25) → 25% reciprocal + 25% Russiaoil penalty = 50% (Aug-25) → 18% under the Feb-26 framework → IEEPA tariffs voided by the Supreme Court (20 Feb) → 10% under Section 122, then Section 301 from 24 Jul 2026.

**The 18 September Act changes the risk.** It is **mandatory** (action within 30 days, ~18 Oct, on the top buyers of Russian oil, at up to 100% on top of existing duties), durable (tariff power expressly granted by Congress) and its **condition is unmet** — Russian crude was ~2.08 mn bpd, ~45% of India's August intake. Smartphones and generics are exempt today, but the Act covers all goods.

| Additional US duty | US-bound exports | Monthly, $ bn | Annual loss | % FY26 merch. |
|---|---|---|---|---|
| 10% (current) | — | 8.4 | — | — |
| 35% | −15% | 7.2 | ~$15 bn | ~3% |
| 60% | −27% | 6.1 | ~$28 bn | ~6% |
| 110% (maximum) | −47% | 4.4 | ~$48 bn | ~11% |

Exhibit 7. RYSA calculation from one observed pair (≈$6.5 bn/month under 50% vs $8.4 bn under 10%); indicative only. FY26 merchandise exports US$442 bn.

**Our read**

Most exposed today: home textiles, apparel, shrimp, gems & jewellery and auto components. Diversification and a rupee near 96/$ help, but neither offsets a 100% duty. We assume a tariff shock rather than a deal for US-concentrated sectors until an agreement is signed — the largest risk in this report.

INDUSTRIAL POLICY, SECTOR STANCE & RISK

# Delivered versus announced, sector by sector

Where industrial policy has turned into production, cash and exports, how we rank sectors on it, and the risks and dates that would change the view. Indian financials follow in section 05.

**₹2.40 lk cr**
PLI investment to 31 Mar 2026; 14 schemes, 836 applicants

**₹28,748 cr**
Incentive paid to Dec-25 — 15% of outlay, 1.4% of ₹20.41 lk cr production

**38 / 106**
ECMS plants producing / approved (Aug-26)

**5 of 12**
ISM chip projects in commercial production — all packaging

## 4.1 Make in India & the PLI scorecard

Investment arrived first; cash lags production by design. Electronics took 54% of all PLI cash (₹15,554 cr). Bulk drugs, white goods and telecom also delivered. Capitalheavy schemes pay late: the ACC battery PLI (₹18,100 cr) had disbursed nothing as of April 2026. The mobile PLI has ended; its successor MPMS (₹62,500 cr, FY27– 31) was approved on 15 July.

## 4.2 How much public money per rupee of activity

| Programme | Measure | Ratio |
|---|---|---|
| PLI, 14 schemes | Incentive paid ÷ cumulative production (Dec-25) | 1.4% |
| PLI, 14 schemes | Incentive paid ÷ cumulative investment (Dec-25) | 13.3% |
| PLI, 14 schemes | Incentive paid ÷ outlay (Dec-25) | 15% |
| PLI electronics | Share of all PLI incentive paid | 54% |
| ECMS | Original outlay ÷ approved investment | 33% |
| ISM 1.0 | Outlay ÷ approved investment | ~47% |

Exhibit 8. RYSA calculations from figures sourced in this report; PLI is a production incentive and ISM a capex subsidy, so the ratios measure different things.

## 4.3 Electronics & components

Production **₹13.11 lk cr** in FY26, exports ₹4.24 lk cr (32% of output, from 19% in FY22). Mobile phones are India's #1 export (₹2.60 lk cr, ~two-thirds to the US). ECMS has approved ₹69,548 cr against a ₹59,350 cr target, but the last 60 projects average ~₹250 cr vs ~₹1,190 cr for the first 46. Count commissioning, not approvals.

## 4.4 Semiconductors — ISM 1.0 to Semicon 2.0

Semicon 2.0 (₹1,27,500 cr, 15 Jul 2026) extends the runway. ISM 1.0's ₹76,000 cr covers ~47% of approved capex; the unlisted Tata–PSMC fab (~₹91,000 cr) is ~56% of it. Seven projects, including every fab, are pre-revenue. Listed exposure is narrow (Kaynes, CG Power OSATs). **Stance: Neutral.**

## 4.5 Textiles & the policy stack

Textile & apparel exports were flat in FY26 (₹3.25 lk cr, +1.8%); the UK cut duties of up to 12% to zero in July. Two near-term offsets: **RoSCTL/RoDTEP expired 30 Sep** with no extension notified, and the **cotton duty exemption lapses 31 Oct**. Apparel is favoured over US-concentrated home textiles. Since 2021, trade access, PLI/ECMS, GST 2.0 and the labour codes now point in the same direction.

## 4.6 Policy beneficiary lists

Listed companies with confirmed policy linkages include Dixon, Kaynes, Amber, Syrma SGS (electronics); CG Power (OSAT); Gokaldas, Pearl Global, KPR Mill, Arvind (apparel); Welspun Living, Indo Count (home textiles, US tariff beta); Aurobindo (bulk-drug PLI); Sona BLW, Motherson (auto PLI). Inclusion shows linkage only and is not a recommendation.

## 4.7 Beneficiary map — indicative sector stance, 12 months

| Sector | Stance | Weak rupee | US Act scenario |
|---|---|---|---|
| EMS & electronic components | Positive | Positive | High if exemption lapses |
| Pharma & API | Positive | Positive | High if exemption lapses |
| Apparel & technical textiles | Positive | Positive | Medium |
| Semiconductor ecosystem | Neutral | Mixed | Low |
| Home textiles | Neutral | Positive | High |
| Auto components | Neutral | Positive | High |
| Consumer durables & autos | Neutral | Negative | Low |
| Marine & processed food | Neutral | Positive | High |
| Capital goods & chemicals | Neutral | Mixed | Medium |
| Steel & aluminium exporters | Conservative | Positive | High (already) |

Exhibit 9. Stances are relative to Nifty 500 and reflect policy exposure only. RYSA assessment.

**One trade, three labels**

All three Positives gain from a weaker rupee, and two — EMS and pharma — move from insulated to highly exposed if the Act's duty is applied without today's exemptions. Held together, they are largely a single position on the US tariff outcome; size them as one exposure.

## 4.8 Positioning & risk — top of the register

| Risk | Likelihood | Impact |
|---|---|---|
| US Russia-oil tariffs (~18 Oct) | High | High |
| Incentive cliffs (RoSCTL/RoDTEP, cotton, PLI sunsets) | High | Medium |
| Supply-chain chokepoints (rare earths, equipment) | Medium | High |
| Export momentum fading; EU ratification delay | Medium | Medium |

SECTOR VIEW · FINANCIALS

# Sector view: Indian financials

Carried forward from our August factsheet and refreshed for September data, including AMFI's August release. The view is expressed at sub-sector level only, with the evidence that would cause us to change it.

## Indicative sub-sector stance, 12-month horizon

| Sub-sector | Stance | Core reasoning (September update) | Key metric to watch |
|---|---|---|---|
| **Large private banks** | Positive | Reported deposit growth reached 17.8% (31 Aug), but ~$133 bn of FCNR(B) under the RBI swap window accounts for almost all of the acceleration; underlying growth is ~12%. The case now rests on deposit-franchise quality outside FCNR(B) and on margins holding as the swap subsidy lapses — not on a broad funding recovery. | Deposit growth ex-FCNR(B); CASA mix; fresh lending spread |
| **Asset managers & capital-market intermediaries** | Positive | Industry AUM reached a record ₹87.08 lakh crore and SIP contributions a record ₹32,297 crore in August; contributing SIP accounts passed 10 crore and equity funds logged a 66th straight month of net inflows (AMFI). Growth is slowing: SIP contributions are up ~14% year on year, against ~24% in March, and the SIP stoppage ratio exceeded 100% in March–April (secondary). | Monthly SIP flows; SIP stoppage ratio |
| **Mid-cap private banks & SFBs** | Neutral | Genuine cyclical recovery; MSME and medium-industry credit (+30.5%) is where stress would first show. Sustaining returns above cost of equity is unproven through a full cycle. | MSME slippage ratio |
| **Public sector banks** | Conservative | The liquidity edge that powered market-share gains has narrowed as private banks gather FX deposits; the expected-credit-loss transition and the next wage revision both fall later in the cycle. | Core PPoP / assets |
| **Gold-backed & collateralised lenders** | Neutral | Gold-loan growth is decelerating (88.1% in July vs 136.4% a year earlier). Growth now depends on gold prices and loan-to-value discipline rather than volume; loans struck at record collateral values carry the downside if gold falls. | Portfolio LTV; gold price |

Stance is relative to a broad Indian financials benchmark (Nifty Financial Services) and reflects a 12-month horizon. It is not a recommendation to buy, sell or hold any security.

## Risk register

| Risk | Likelihood | Impact | Transmission channel and evidence we would look for |
|---|---|---|---|
| **Inflation and policy rate** | Medium | Medium | CPI rose to 4.82% in August, leaving a real policy rate of ~0.4%; the RBI expects a peak in Oct–Dec. A hawkish turn at the 5–7 October MPC would lift funding costs; with most loans on external benchmarks, asset yields and deposit costs reprice at different speeds. |
| **MSME stress formation** | Medium | High | Medium-industry credit up 30.5% YoY. Watch quarterly slippage in sub-₹25 crore ticket sizes; guarantees cap the tail but do not remove it. |
| **Corporate credit normalising** | High | Medium | Total credit growth eased from 19.1% (31 Aug) to 18.1% (15 Sep). If large-industry borrowers return to bonds, system growth falls toward mid-teens. The direct test is corporate bond issuance against bank credit to large industry. |
| **External shock to flows** | Medium | High | A US tariff under the Russia-oil Act, or renewed West Asia disruption, would test the rupee (~96/$) and the durability of FX-funded deposit growth. |
| **Gold price drawdown** | Medium | High | Gold loans have nearly doubled at record collateral values. A sharp fall in gold would push loan-to-value ratios toward limits and force top-ups or auctions. Watch portfolio LTV disclosures and auction volumes. |
| **FCNR(B) unwind** | Low (12m) | Medium | The ~$133 bn level shift drops out of year-on-year deposit growth from June–September 2027, and the 3–5 year deposits mature in FY30–FY32 without swap support. Watch bank disclosures of FCNR(B) cost and tenor. |
| **Equity drawdown fatigue** | Low | Medium | SIP flows held through the FY26 correction; a second consecutive drawdown would test persistence. Watch the SIP stoppage ratio. |

## SECTOR VIEW · FINANCIALS

**What would raise our conviction**

- Housing and credit-card growth turning up for two consecutive months
- Deposit growth excluding FCNR(B) rising above 13%
- ECL transition disclosures at the low end of estimates

**What would change our mind**

- Gold-loan growth collapsing while unsecured credit stays weak
- Deposit growth excluding FCNR(B) falling below 11%
- MSME slippage rising by 2pp or more across mid-sized lenders
- Monthly SIP contributions falling below ₹30,000 crore, or the stoppage ratio staying above 100%

Sources: RBI Sectoral Deployment (31 Aug 2026) and Bulletin (Sep 2026); RBI swap data (2 and 22 Sep 2026, as reported); MoSPI CPI (14 Sep 2026); AMFI monthly data (Aug 2026, released Sep 2026); SIP stoppage ratio as reported by Finnovate citing AMFI (secondary); RYSA August 2026 factsheet.

SOURCES & METHODOLOGY

# Where every number came from

We publish our source trail in full. Nothing in this report is estimated by us unless explicitly labelled as a RYSA calculation or view. Web sources for this edition were accessed 18 September–1 October 2026.

## Macro, liquidity & news

| Data | Publisher | As at | Used for |
|---|---|---|---|
| GDP Q1 FY27 | NSO, MoSPI press note | 31 Aug 2026 | Section 02 |
| CPI August 2026 | MoSPI | 14 Sep 2026 | Sections 02, 05 |
| Repo rate, MPC dates | RBI MPC statements | Feb 2025–Aug 2026 | Section 02 |
| Credit & deposit growth | RBI Bulletin; RBI fortnightly data via Business Standard | 14 Aug–26 Sep 2026 | Exhibit 1 |
| Sectoral credit, July | RBI press release 2026-2027/999; Business Standard | 31 Aug 2026 | Exhibit 3 |
| FCNR(B) / swap inflows | RBI data as reported by Outlook Money (2 Sep) and Entrepreneur (22 Sep) (secondary) | 31 Aug & 18 Sep 2026 | Sections 02, 05 |
| RBI forward book | RBI monthly data via Business Standard | Jul 2026 | Section 02 |
| Gold prices | Domestic market data (secondary) | Jul 2025–Jul 2026 | Section 03 |
| Forex reserves | RBI WSS; 11 & 18 Sep via Trading Economics (secondary) | 4–18 Sep 2026 | Exhibit 2 |
| Flash PMI | HSBC / S&P Global release; Business Standard | 23 Sep 2026 | Sections 02, 03 |
| Trade data August 2026 | Ministry of Commerce & Industry, PIB (PRID 2310636) | 15 Sep 2026 | Exhibit 4 |
| Mutual fund data | AMFI monthly data and AMFI statement | Aug 2026 | Section 05 |
| Microsoft / Telangana | Business Standard / PTI | 24 Sep 2026 | Section 03 |

## Trade and tariffs

| Data | Publisher | As at | Used for |
|---|---|---|---|
| Trade data FY26 | Dept. of Commerce, PIB releases (incl. PRID 2290437) | 15 Apr & 28 Jul 2026 | Exhibit 5; sections 01, 03 |
| EFTA TEPA | PIB; EFTA Secretariat | 30 Sep / 1 Oct 2025 | Exhibit 6 |
| UK CETA | PIB (PRID 2274280); UK Trade Tariff Service; ODI; Alegrant | 17 Jun–23 Jul 2026 | Section 03 |
| Oman CEPA | Khaitan & Co; Middle East Briefing | Jun 2026 | Exhibit 6 |
| EU FTA status | European Commission; Cyril Amarchand Mangaldas | 11–29 Sep 2026 | Exhibit 6 |
| New Zealand FTA | NZ MFAT (FTA summary, key outcomes); ITLN | Apr–Sep 2026 | Section 03 |
| Canada CEPA | Global Affairs Canada; Business Standard | Nov 2025–21 Sep 2026 | Section 03 |
| US tariff history | White House executive orders; US Supreme Court; USTR Section 301 notice (HTS 9903.05.44) | Aug 2025–Jul 2026 | Section 03 |
| Russia-oil Act | H.R. 5334 as enacted (congress.gov); Conference Board; law-firm commentary | 18–24 Sep 2026 | Sections 01, 03 |
| US-bound exports | PTI (28 Sep 2026); Reuters via IndraStra (secondary) | Aug 2026; Sep-25 to Feb-26 | Exhibit 7 |

## SOURCES & METHODOLOGY

### Industrial policy, sectors and domestic reform

| Data | Publisher | As at | Used for |
|---|---|---|---|
| PLI progress | PIB (PRID 2230621); PIB parliamentary reply (22 Jul 2026); PTI; Economic Survey | Nov 2024–Jul 2026 | Exhibit 8 |
| Electronics production/exports | MeitY/PIB (PRID 2284808); Economic Survey 2025-26 | Jan–Jul 2026 | Section 04 |
| ECMS approvals & window | PIB; MeitY ECMS portal; PTI; Outlook Business | Oct 2025–Sep 2026 | Section 04 |
| ISM, Semicon 2.0 | India Semiconductor Mission; EE Times; Business Standard | Feb–23 Sep 2026 | Section 04 |
| Textile exports & measures | Lok Sabha reply; Ministry of Textiles; Ministry of Finance Notif. 19/2026-Customs; Business Standard | Mar–Sep 2026 | Section 04 |
| Budget, GST 2.0, labour codes | Budget speech (Sansad); PTI; EY; Grant Thornton | Sep 2025–2026 | Section 04 |

## Methodology notes

**Agreement status.** "In force" means tariff schedules are legally applicable; signature or conclusion alone is recorded as pending. **Currency.** Figures are shown in the source currency; conversions, where made, are stated. **Charts.** All exhibits are constructed by RYSA from published data; none is reproduced from a source document. **News summaries.** Written by RYSA in its own words. **Company linkages.** Companies are listed only where a policy linkage is stated in company disclosures or government releases; inclusion is not a view on valuation.

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## Glossary

**CEPA / CECA / CETA / TEPA** — forms of comprehensive trade agreement. **PLI** — Production Linked Incentive. **ECMS** — Electronics Component Manufacturing Scheme. **MPMS** — Mobile Phone Manufacturing Scheme (₹62,500 cr, FY27–FY31). **ISM / Semicon 2.0** — India Semiconductor Mission, phases one and two. **OSAT / ATMP** — outsourced assembly and test / assembly, testing, marking and packaging of chips. **DLI** — Design Linked Incentive. **RoSCTL / RoDTEP** — rebates of embedded taxes on apparel/made-ups and on other exports. **CBAM** — EU Carbon Border Adjustment Mechanism. **Section 122 / 232 / 301** — US trade-law authorities; Section 122 is limited to 150 days. **IEEPA** — International Emergency Economic Powers Act. **FCNR(B)** — Foreign Currency Non-Resident (Bank) deposits. **ECB / OFCB** — external commercial / overseas foreign-currency borrowings. **CD ratio / LDR** — credit-to-deposit (loan-to-deposit) ratio. **MPC** — RBI Monetary Policy Committee. **PPoP** — pre-provision operating profit. **ECL** — expected credit loss. **SIP stoppage ratio** — SIPs discontinued or matured divided by new SIPs registered.

FUND INFORMATION

# Disclosures

This report names listed companies and assigns sector stances. The disclosures below accompany it.

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### What our stances mean

| Stance | Definition | Share of stances in this report |
|---|---|---|
| Positive | We expect the sector to do better than its benchmark over 12 months on policy exposure. | 5 of 15 |
| Neutral | Broadly in line with its benchmark over 12 months. | 8 of 15 |
| Conservative | We expect the sector to fall behind its benchmark over 12 months. | 2 of 15 |

Counts cover the ten manufacturing and trade sectors in Exhibit 9 and the five financial sub-sectors in section 05. Stances express relative preference at sector level; they are not buy, sell or hold recommendations and carry no price target. Benchmarks: Nifty 500 and Nifty Financial Services.

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