Dear Investors and Partners,

Hope you and your families are in good health.

The past twelve months have been eventful - trade tensions, geopolitical flare-ups, and a sustained FPI exodus that has left Indian equities as one of the worst-performing markets globally, even as the underlying economy has continued to grow faster than almost any of its peers. We have used this period to make a few meaningful changes to the portfolio, adding names we have admired for a long time at prices that the macro noise made available. The stock discussion below covers one such name in detail. For those who want to understand our broader thinking on the market context, we have put together a supplementary section at the end of this letter.

The portfolio has seen meaningful activity over the past twelve months. On the chemicals front, we continue to hold our positions. Margin normalisation is underway and the risk-reward remains favourable. Our exposure to private lenders continues, now concentrated entirely in small and mid-cap names where we see a more compelling risk-reward than in the large-cap segment. The microfinance stress, which we discussed at some length in prior letters, appears to have troughed. The recovery in collection efficiency and disbursement growth across the sector is now visible in the numbers. Microfinance is a cyclical business with at least one accident expected every 4-5 years. At some point, we would want to trim our exposure here, ideally well in advance of the next one. The strict industry guardrails and consequently tight underwriting in the recent past should keep the books clean in the near term though. Capital freed up from trimmed positions has gone into a small number of high-conviction names that corrected sharply for reasons that, on examination, had little to do with their long-term earnings power. One position that has grown to become our largest holding sits at the intersection of several of these themes - quality of business, multiple unrelated headwinds at the same time, creating an entry point, and a long arc of compounding that the market has periodically chosen to ignore. That is the company we want to discuss.

There is a particular kind of business that reveals itself only when you look at the full arc of its history rather than any single moment within it. The company we want to discuss this half-year is one such business - a precision engineering company that sits quietly at the heart of the global automotive transition, supplies seven of the world's top ten passenger vehicle manufacturers, and has compounded revenue at over 30% annually since its founding in 1999. It does not make headlines for the right reasons with any regularity. But the more we studied it, the more we found a business built on a logic so consistent and so deliberately executed that calling it a formula would not be unfair.

Acquire what you cannot build: The story begins, as the best ones often do, with a rejection. In the 1980s, the company's founder approached a German precision forging company, the owner of a patented warm forging process for differential gears, seeking a technology license to manufacture in India. The Germans said no. What followed was not a pivot or a sulk but a quiet, two-decade exercise in building a business capable of eventually acquiring the very company that had turned him away. In 2007, with the German firm in financial distress, the acquisition was completed at roughly ten times the Indian company's own size at the time. That transaction brought with it a manufacturing process that is genuinely difficult to replicate. Warm forging of precision bevel gears requires specialised tooling, deep metallurgical knowledge, and years of customer qualification. It is difficult to assemble this capability. It showed up in numbers. The company commands 60-90% market share in differential gears across passenger vehicles, commercial vehicles and tractors in India, a position held for over a decade and showing no signs of erosion. Monopoly-like domestic positions in unglamorous industrial products, held for long periods, are among the rarest and most durable things in investing. We have written before about businesses whose moats are built on products that are difficult to handle, voluminous to transport, or take years of regulatory and customer approvals to enter. This company's core product sits squarely in that category. The company has not lost a single customer in the last decade. It is the natural consequence of being embedded in a vehicle program that runs for five to seven years, having passed rigorous quality certifications, and being the kind of supplier whose replacement mid-cycle carries reputational risk for the customer. Relationships with 13 of their top 20 customers span more than fifteen years.

The Acquisition Playbook

Year	Acquisition	Capability added	What it enabled
2007	BLW Precision Forgings, Germany	Proprietary manufacturing process; specialised tooling and metallurgical know-how	Domestic monopoly in differential gears; foundation for global driveline business
2019	Comstar Automotive, Chennai	Electrical and electronic engineering alongside existing mechanical capability	Entry into motor business; combined electro-mechanical platform for EV programs
2023	NOVELIC, Serbia	ADAS sensor capability; software and electronics design	Entry into safety sensor market; identity shift toward mobility technology company
2025	Railway Equipment Division, Escorts Kubota	Mission-critical railway component manufacturing; new institutional customer base	Diversification beyond automotive; exposure to Indian railway infrastructure spend

Build on top: What is remarkable is that the German acquisition was not a one-off bet but the first instance of a pattern the company has replicated, with striking consistency, three more times since. Each subsequent move followed the same logic: identify a capability gap, find a business that has already solved the hard problem, acquire it at a sensible price, and layer it onto the existing customer relationships and manufacturing infrastructure. Rather than chase scale in existing products, the company has consistently climbed the value ladder - from individual gear sets to complete differential assemblies, from mechanical driveline components to electrical motor systems, from motors to sensors and software. A set of differential gears earns roughly eleven dollars per unit. A complete differential assembly, the next rung on the ladder, earns forty to fifty dollars. A traction motor earns multiples of that. The 2019 merger with a Chennai-based electrical systems manufacturer added starter motors, traction motors and motor controllers to what had until then been a purely mechanical driveline business. The combination of mechanical and electrical capability under one roof is not common among Indian auto component manufacturers. It turned out to matter enormously for what came next.

The Value Ladder

Product	What it does	Enabled by	Realisation per unit (USD)
Differential gear set	Precision bevel gears for the drive axle	BLW acquisition — warm forging technology	~$11
Differential assembly	Complete assembled unit; replaces individual gears in EV drivetrains	Vertical integration from gear capability	~$40–50
Starter motor (conventional)	Engine starting mechanism for ICE vehicles	Comstar acquisition - electrical capability	~$38
Starter motor (micro-hybrid)	Start-stop motor for hybrid vehicles	Comstar acquisition - electrical capability	~$44
Belt starter generator	Combined starter and generator for mild hybrids	Comstar electrical platform extended	~$235
Traction motor	Primary drive motor for battery electric vehicles	Mechanical + electrical platform combined	~$400–1,400

Source: Edelweiss Securities initiating coverage (2022), company disclosures.

Ride the wave, but get in early: The global shift toward electric vehicles created a structural opportunity that this company was, almost uniquely among Indian suppliers, positioned to exploit and crucially, they saw it coming before most. Between 2017 and 2021, while the electric vehicle transition was still largely a subject of conference presentations rather than production lines, the company was quietly accumulating program wins with some of the largest electric vehicle manufacturers in the world. They were, to use the language of the industry, getting designed in. The reason the opportunity was so large comes down to a structural quirk of the electric vehicle industry: traditional automotive manufacturers typically handle differential assemblies in-house and buy only the individual gear sets from outside suppliers. The new generation of electric vehicle manufacturers, focused on batteries and software, outsource far more of the mechanical architecture, including complete assemblies which is not a minor distinction. It is the difference between earning eleven dollars per vehicle and earning forty to fifty dollars per vehicle from the same customer relationship. By the time the broader market began to appreciate the scale of the transition, this company's order book was already being built. Today, electric vehicle programs account for 35% of automotive product revenue. The cumulative order book stands at approximately 5.3 times its annual revenue runrate, out of which 70% is electric vehicle related, spread across 67 programs and 35 customers across North America, Europe, India and Asia. It bears noting, however, that the path has not been linear. Electric vehicle revenue actually declined 6% in FY26 versus the prior year, partly because of a large North American customer's model transition and partly because of the rare earth supply disruption we will return to shortly. The market, predictably, did not distinguish between a structural business and a cyclical air pocket. We thought it did not need to, for our purposes.

While competitors stumbled: During the past two years, three direct competitors in the European driveline segment went bankrupt. European automotive suppliers have faced a genuinely brutal combination of cost inflation, demand softness and the speed of the powertrain transition. This company, through the same period, has maintained EBITDA margins of 25-27%. That is not a small gap between them and their now-defunct competition. It reflects the structural advantage of a business with its cost base in India, supplying globally, with products so deeply embedded in multi-year vehicle programs that replacing a supplier mid-cycle is both expensive and risky for the customer. When a competitor exits, their customer relationships do not disappear — they become available. The management has mentioned that new inquiry flows from European customers increased following these events. And lest this appear to be a business with all its eggs in one powertrain basket, the railway equipment acquisition, the sensor business, the suspension motor programs, and the growing electric two and three-wheeler exposure together represent a deliberate broadening of the revenue base that reduces the binary dependence on any single geography, customer or technology path.

Future-proof by design: The subsequent recent acquisition, a majority stake in a Serbian radar sensing technology company in 2023, fits the same template as every prior move, and it is worth pausing on that. The pattern here is identical to BLW, to Comstar: acquire technology where building organically would take too long or carry too much execution risk, then use the existing customer network and manufacturing infrastructure to scale it. Radar and sensor technology for driver safety assistance is becoming mandatory across vehicle categories globally, and the patented millimetre-wave approach of the acquired company is technically differentiated in a way that is not easy to replicate. The sensor assembly line is already operational in Tamil Nadu and first customer programs have commenced. What this acquisition does, beyond adding a new revenue stream, is shift the company's identity in the eyes of global customers from a mechanical component supplier to a mobility technology company. That shift takes years to fully manifest, but the credibility that comes with it changes the nature of the conversations the sales team can have, and the programs they get invited to bid on. A company that shows up with gears gets invited to bid on gears. A company that shows up with gears, motors, assemblies, sensors and software gets access to a larger share of the customer wallet.

When storms converge: We were able to build our position at a price considerably below what the business's intrinsic worth would suggest, and it required a convergence of pressures that would have tested the conviction of most investors. The sudden and deeply unfortunate passing of the founding promoter created legal uncertainty around the ownership of his shareholding. China's restrictions on certain rare earth metal exports impacted near-term production in the motor business. Global trade policy anxiety created uncertainty around the North American revenue base which represents a significant portion of total sales. Each concern was real. None of them, in our assessment, touched the competitive position of the business, the logic of the product strategy, or the quality of the order book. The inheritance dispute is a legal matter over shares but it has not affected a single production line, customer relationship or order. The rare earth disruption is being actively managed through alternative motor architectures using lighter rare earth materials and magnet-free designs that the engineering team has been developing. The tariff anxiety, while real for any globally-exposed supplier, is arguably better navigated by a company manufacturing almost entirely in India and supplying globally from a cost-competitive base than by the Western suppliers who have no such structural advantage, as evidenced by the bankruptcies we just discussed.

The professional management team has been building this business for close to a decade. They have been involved in most large capital allocation decision, acquisition choices and have managed to maintain a consistent margin profile through difficult external conditions, and the deliberate construction of an order book that now spans multiple geographies, powertrain types, and end markets. Our assessment of that management is grounded in that observable record, reinforced by a long personal familiarity with the chief executive whose character, intellectual honesty and operational intensity have revealed themselves over many years and many cycles. Competence of that quality accumulates over a period. And when you find it running a genuinely moated business available at a distressed price, you act with conviction.

This is now our largest holding.

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India — Significant Underperformance vs Global Markets

MSCI India vs MSCI EM vs MSCI World — Annual Returns in USD (Net) | 2014–2026

Year	MSCI India (USD)	MSCI EM (USD)	MSCI World (USD)	India vs EM (pp)	India vs World (pp)
2014	+23.9%	-2.2%	+4.9%	+26.1pp	+18.9pp
2015	-6.1%	-14.9%	-0.9%	+8.8pp	-5.3pp
2016	-1.4%	+11.2%	+7.5%	**-12.6pp**	**-8.9pp**
2017	+38.8%	+37.3%	+22.4%	+1.5pp	+16.4pp
2018	-7.3%	-14.6%	-8.7%	+7.3pp	+1.4pp
2019	+7.6%	+18.4%	+27.7%	**-10.8pp**	**-20.1pp**
2020	+15.6%	+18.3%	+15.9%	-2.8pp	-0.4pp
2021	+26.2%	-2.5%	+21.8%	+28.8pp	+4.4pp
2022	-8.0%	-20.1%	-18.1%	+12.1pp	+10.2pp
2023	+20.8%	+9.8%	+23.8%	+11.0pp	-3.0pp
2024	+11.2%	+7.5%	+18.7%	+3.7pp	-7.5pp
2025	+2.6%	+33.6%	+21.1%	**-30.9pp**	**-18.5pp**
2025 + 2026 YTD *	**-8.9%**	**+67.8%**	**+33.8%**	**-76.6pp**	**-42.7pp**

* 2025 + 2026 YTD = compound cumulative return through May 29, 2026. | pp = percentage points. | Highlighted rows = India underperformed MSCI EM by more than 10pp. | 2025: India +2.6% vs EM +33.6% — widest annual gap since 1993. | Source: MSCI India, MSCI EM and MSCI World Index factsheets (USD net total return)

The 2025 gap of 30.9 percentage points versus EM is the widest since 1993. The cumulative picture through May 2026 - India down 8.9% while EM is up 67.8% - is not a small correction. It is a significant dislocation. Dislocations of this magnitude have historically been followed by sharp mean reversion, not further divergence.

India — GDP Growth Rank vs Market Return Rank Among Major EMs

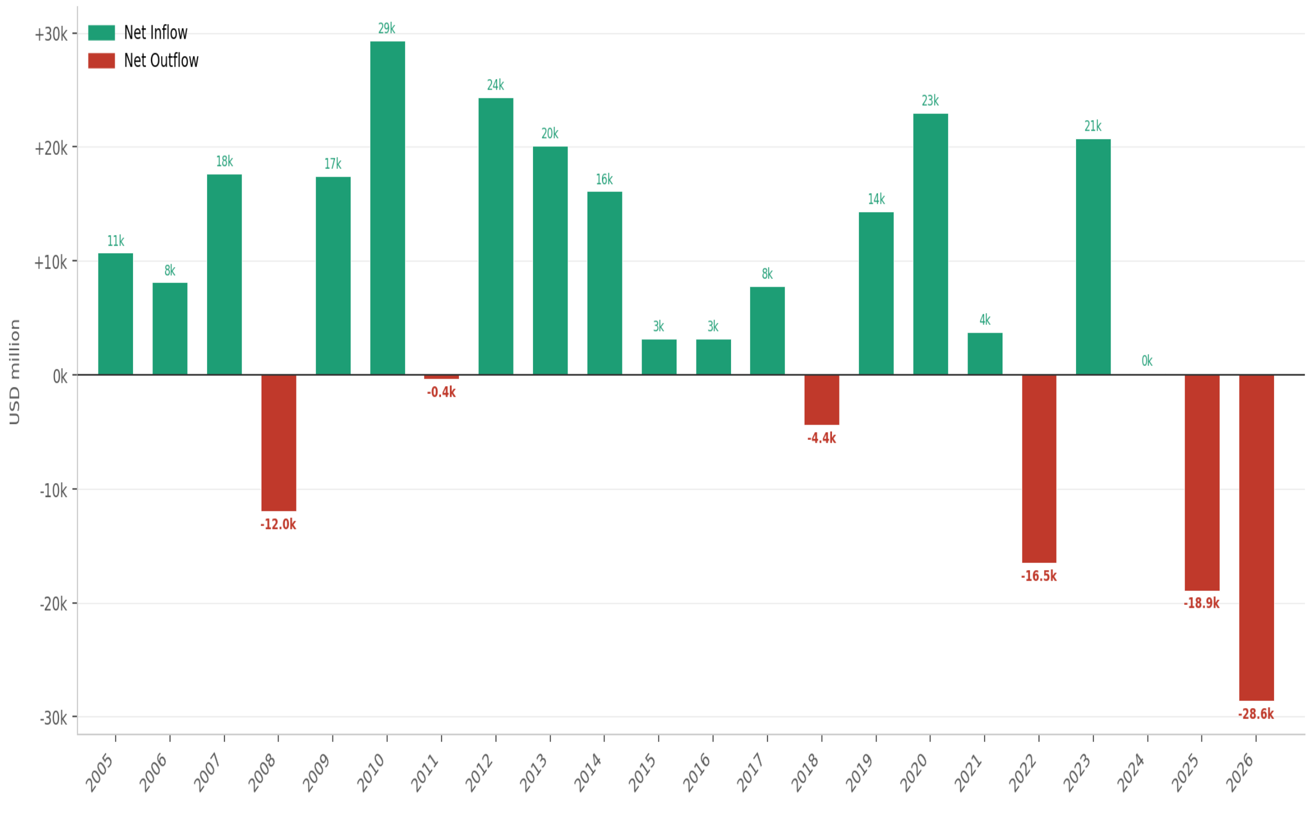
India GDP Growth Rank vs MSCI Market Return Rank (India, China, Brazil, Indonesia, Mexico, South Africa | Rank 1 = Best)

Year	India GDP	GDP Rank (of 6)	India Mkt (USD)	Mkt Rank (of 6)	Divergence (Mkt – GDP Rank)
2014	+7.4%	**#1**	+23.9%	#2	+1
2015	+8.0%	**#1**	-6.1%	#1	0
2016	+8.3%	**#1**	-1.4%	**#5**	**+4**
2017	+6.8%	**#2**	+38.8%	#2	0
2018	+6.5%	**#2**	-7.3%	#1	-1
2019	+5.0%	**#2**	+7.6%	**#5**	**+3**
2020	-5.8%	**#4**	+15.6%	#2	-2
2021	+9.1%	**#1**	+26.2%	#1	0
2022	+7.2%	**#1**	-8.0%	**#4**	**+3**
2023	+8.2%	**#1**	+20.8%	#2	+1
2024	+6.5%	**#1**	+11.2%	#3	+2
2025	+6.5%	**#1**	+2.6%	**#5**	**+4**

Divergence = Market Return Rank minus GDP Growth Rank. Positive = India punished relative to its growth. Highlighted rows = divergence ≥ 3. | India ranked #1 or #2 in GDP growth in 10 of 12 years shown. | Market returns: MSCI country indices, USD net total return. GDP: IMF World Economic Outlook. | 6 countries: India, China, Brazil, Indonesia, Mexico, South Africa.

India has ranked #1 or #2 in GDP growth in 10 of the last 12 years. In 2025, it ranked #5 in market returns despite ranking #1 in growth. The divergence between what the economy is doing and what the market is pricing is now at its most extreme. Markets eventually price economics.

India — FPI Net Equity Flows (2005–2026)

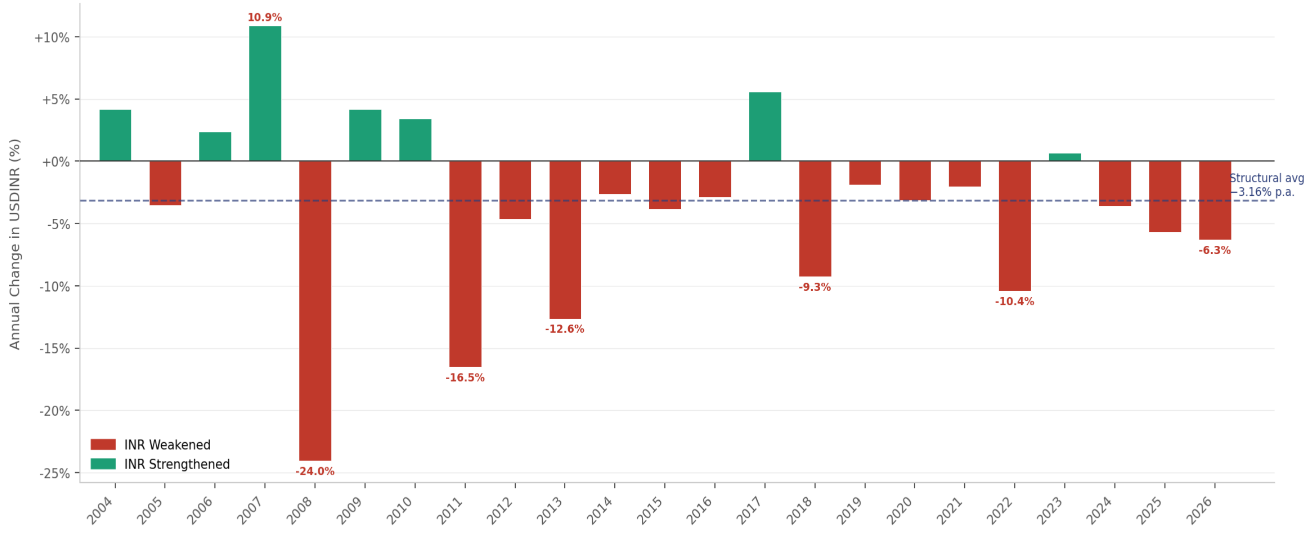


Source: SEBI / NSDL | Calendar year (Jan–Dec) | 2026 data through 5 Jun 2026

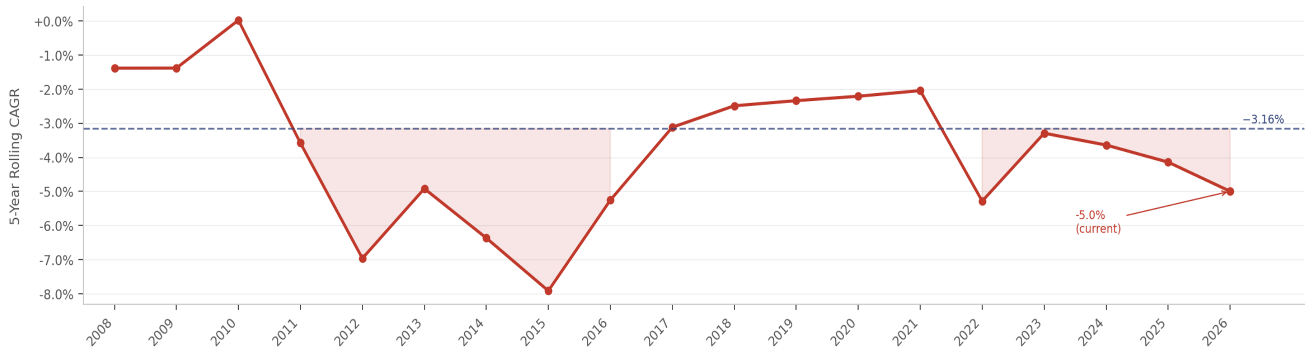
2026 is on track to be the largest FPI outflow year in India's recorded history - already exceeding the entirety of 2022 with months still remaining. Every prior episode of large sustained outflow has been followed by a multi-year period of strong equity returns. The question is never whether the flows return; it is whether how one is positioned when they do.

USDINR — Annual Change & Structural Depreciation Rate

Annual Change in USDINR (2004–2026)



5-Year Rolling CAGR of USDINR (2008–2026)

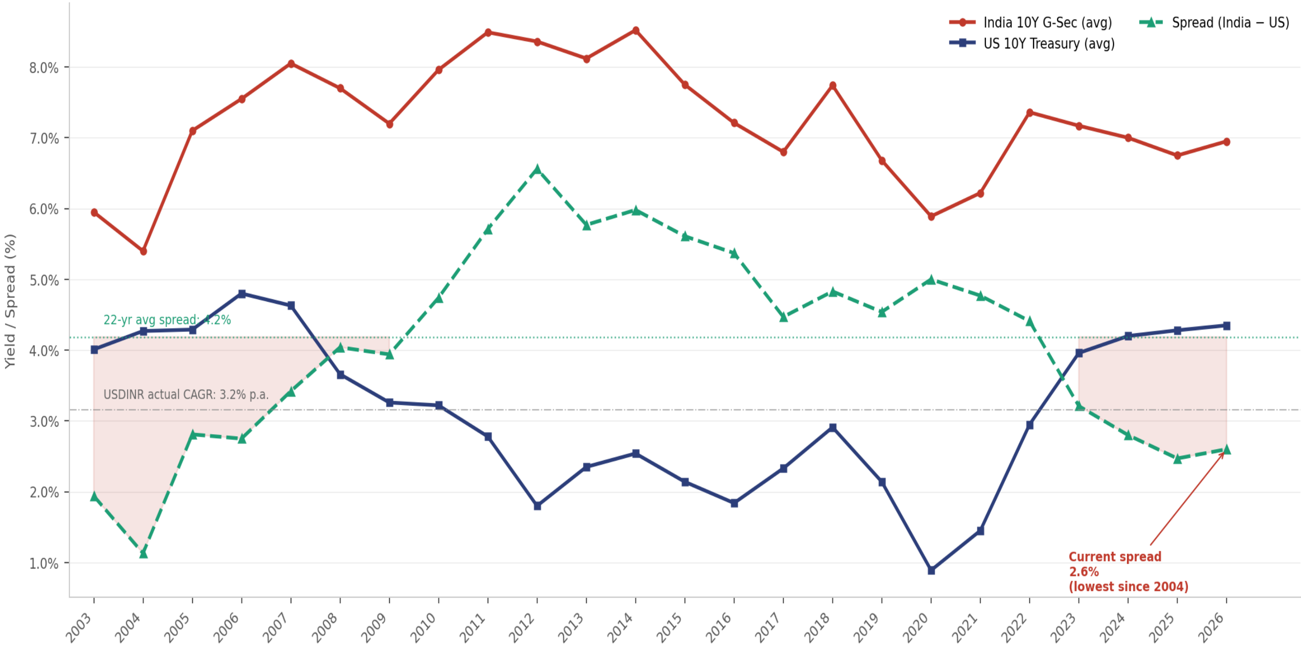


Source: Yahoo Finance (INR=X) | Calendar year basis (year-end weekly close) | Negative = INR weakened vs USD | Structural avg = 3.16% p.a. CAGR (2003–2025) | 2026 through 7 Jun 2026

The rupee depreciated approximately 8.3% in 2025. This is one of the sharper single-year moves outside of crisis episodes. The 5-year rolling CAGR is currently running at -5.0%, well below the structural average of -3.16%. Such overshoots have consistently reverted to the structural mean. The currency headwind that global investors are pricing today is likely closer to its peak than its beginning.

USDINR Depreciation — Anchored by 10-Year Yield Differential

India 10Y G-Sec vs US 10Y Treasury — Annual Average Yield & Spread (2003–2026)



Spread by Era

Period	India 10Y (avg)	US 10Y (avg)	Spread (India – US)
2003–2007	6.8%	4.4%	**2.5%**
2008–2010	7.6%	3.4%	**4.2%**
2011–2016	8.1%	2.2%	**5.6%**
2017–2021	6.5%	1.6%	**4.7%**
2022–2025	7.1%	3.8%	**3.2%**
2026 (current)	6.95%	4.35%	**2.6%**
22-yr Average (2003–2025)	7.2%	3.0%	**4.2%**

22-yr avg spread (2003–2025): 4.2% | USDINR actual depreciation CAGR over same period: 3.2% p.a. | Current spread 2.6% — below historical average, implying structurally lower depreciation pressure than the 22-year norm | India 10Y: RBI / CCIL annual average | US 10Y: US Federal Reserve / macrotrends.net

The India-US yield spread at 2.6% is the lowest since 2004 and well below the 22-year average of 4.2%. A narrower spread means less structural depreciation pressure going forward, not more. The market is extrapolating recent currency weakness into the future at precisely the moment the fundamental anchor suggests the opposite.

USDINR — Post Sharp Depreciation: Pace Reverts to Structural Average

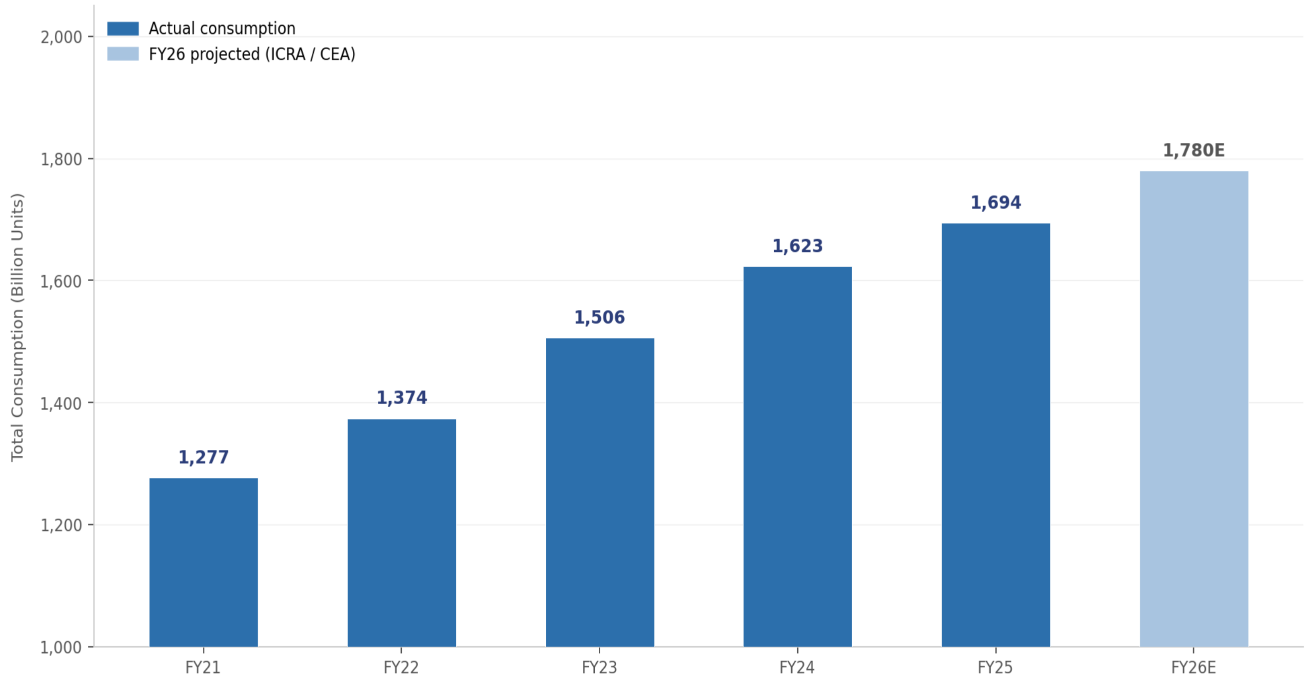
Year	INR Change that Year	+1Y Absolute (USDINR chg%)	+2Y Absolute (USDINR chg%)	2Y CAGR (Post Move)	vs Structural –3.2% avg
2008	**-24.1%**	+4.2%	+7.4%	**+2.5%**	+5.7%
2011	**-16.5%**	-4.6%	-17.9%	**-6.5%†**	-3.3%
2013	**-12.7%**	-2.6%	-6.5%	**-3.1%**	+0.1%
2018	**-9.3%**	-1.9%	-5.1%	**-2.4%**	+0.8%
2022	**-10.4%**	+0.7%	-2.9%	**-2.8%**	+0.4%
Avg (ex-2011)	-11.6%	+1.5%	+1.6%	**-2.7%**	+0.5%

† 2011 episode: India's current account deficit reached 4.8% of GDP by 2013 — structural macro imbalance. Today CAD ~0.8% of GDP (H1 FY26). | Positive = INR appreciated / strengthened. Negative = INR weakened further. | 1Y/2Y Absolute = cumulative % change in USDINR from year-end of sharp depreciation year. 2Y CAGR = annualised rate over 2 years. | Source: Yahoo Finance

In every prior episode of sharp INR depreciation, excluding 2011, which was driven by a current account deficit of 4.8% of GDP, a condition categorically different from today's 0.8%, the pace of depreciation in the following two years reverted to near the structural average. The conditions that caused the one outlier outcome do not exist today.

India — Electricity Consumption: Consistent Structural Growth

Total power consumption (Billion Units) — FY2021 to FY2026



Key Metrics

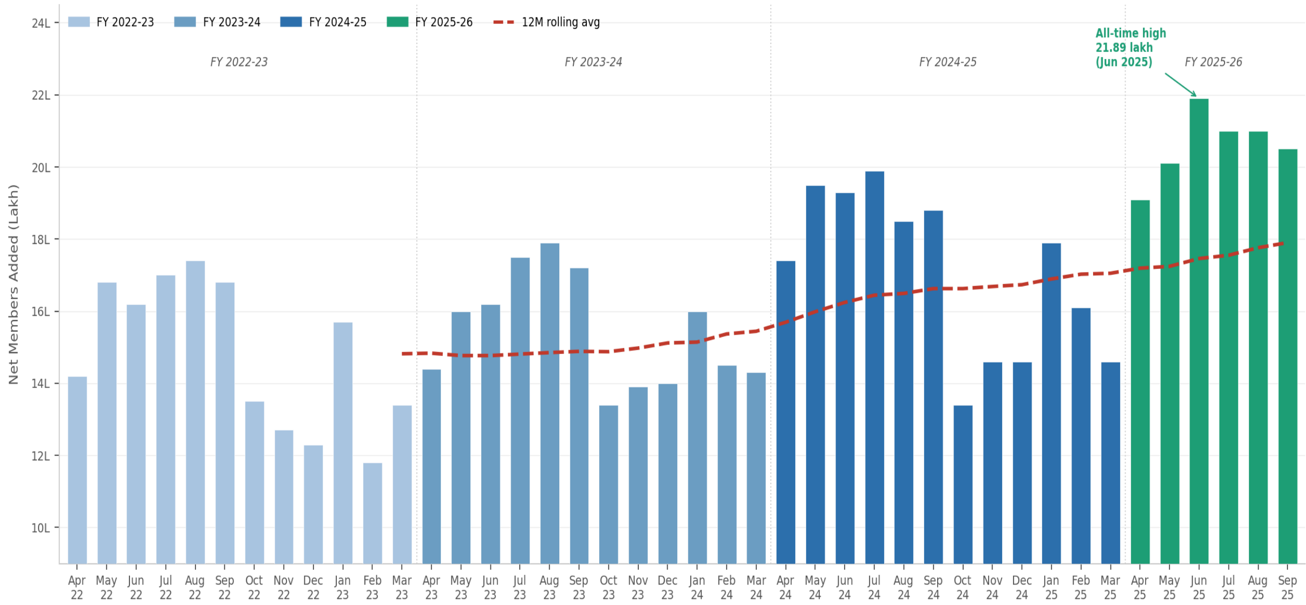
Metric	Data Point	Source
5-Year CAGR (FY21-FY25)	7.4%	Ember / Ministry of Power
FY21 to FY25 absolute growth	+417 BU (+33%)	Ember confirmed
Industry share of consumption	41.8%	IBEF / CEA
Peak demand all-time high	250 GW (May 2024)	Ministry of Power
Power shortages FY14 vs FY25	4.2% to 0.1%	Ministry of Power
FY26 demand projection	~1,780 BU	ICRA / CEA NGAP 2026

E = Estimate. FY26 projection based on 5.0-5.5% growth (ICRA / CEA National Generation Adequacy Plan 2026). FY21 base: 1,277 BU. Source: Ember India Electricity Transition Report 2026, IBEF, Ministry of Power / CEA, ICRA Power Sector Report May 2025

Power consumption has compounded at 7.4% annually over FY21-25, with power shortages falling from 4.2% of demand in FY14 to 0.1% in FY25. The underlying economy is running, consuming, and building. What is happening in the equity market appears to be flow and sentiment story, not an economic one.

India — Formal Job Creation at All-Time Highs

EPFO Net Payroll Additions — Monthly (Apr 2022 – Sep 2025)



Annual Net Additions to EPFO (Flow Data — FY Basis)

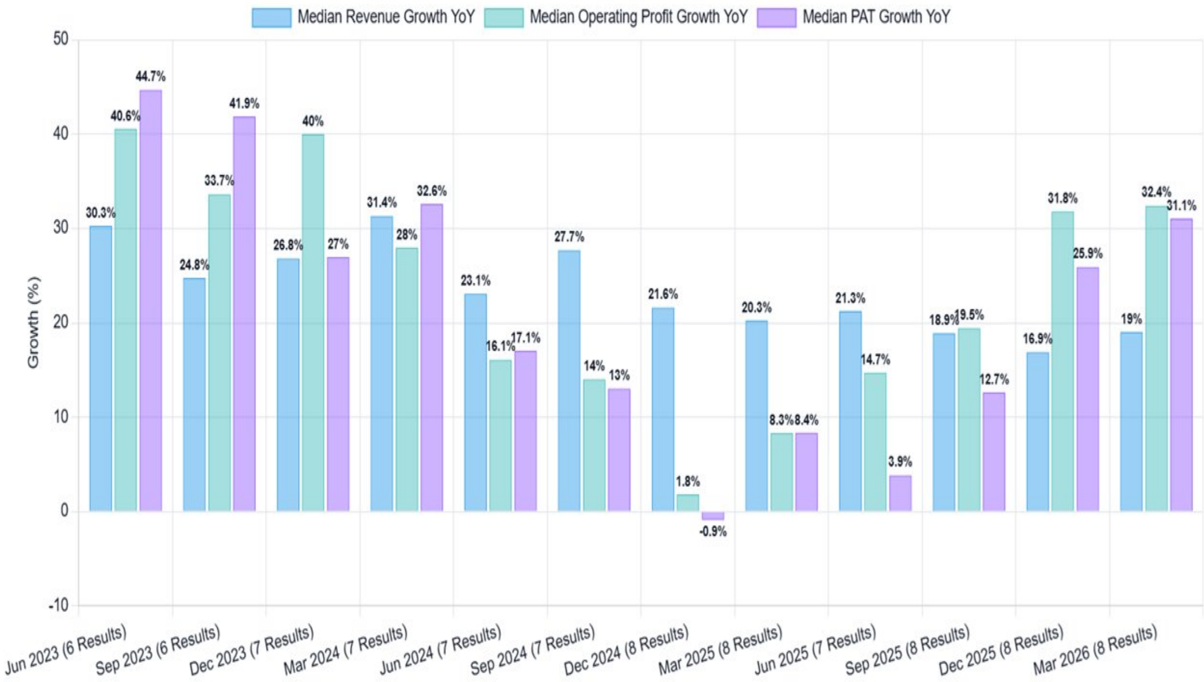
Financial Year	Net Additions	YoY Growth	Note
FY 2021-22	~122 lakh	—	Base year
FY 2022-23	~139 lakh	+13.2%	EPFO confirmed
FY 2023-24	~184 lakh	+32.4%	Compiled from monthly data
FY 2024-25	~195 lakh	+6.0%	Compiled from monthly data
FY 2025-26	**200+ lakh**	**On track**	Apr-Sep 2025: 103 lakh in 6 months

Net additions = new members + rejoining members minus exiting members. Annual figures are flow data (not cumulative stock). FY2022-23 annual total confirmed by EPFO press release. FY2023-24 and FY2024-25 compiled from monthly provisional press releases. FY2025-26 based on Apr-Sep 2025 data (103 lakh in 6 months). 18-25 age group consistently 57-61% of new subscribers. | Source: EPFO / Ministry of Labour & Employment / PIB press releases

Formal employment at all-time highs means incomes are rising, consumption is broadening, and the tax base is widening. The 18-25 age cohort consistently comprising 57-61% of new subscribers points to a structural, demographic-driven formalisation of the workforce, not a cyclical blip. None of this is consistent with an economy that deserves to be the worst-performing equity market among its peers.

Conglomerate-Backed NBFCs — Formal Lending Sector Stayed Resilient

Median Revenue, Operating Profit & PAT Growth YoY | 8 conglomerate NBFCs | Jun 2023 – Mar 2026



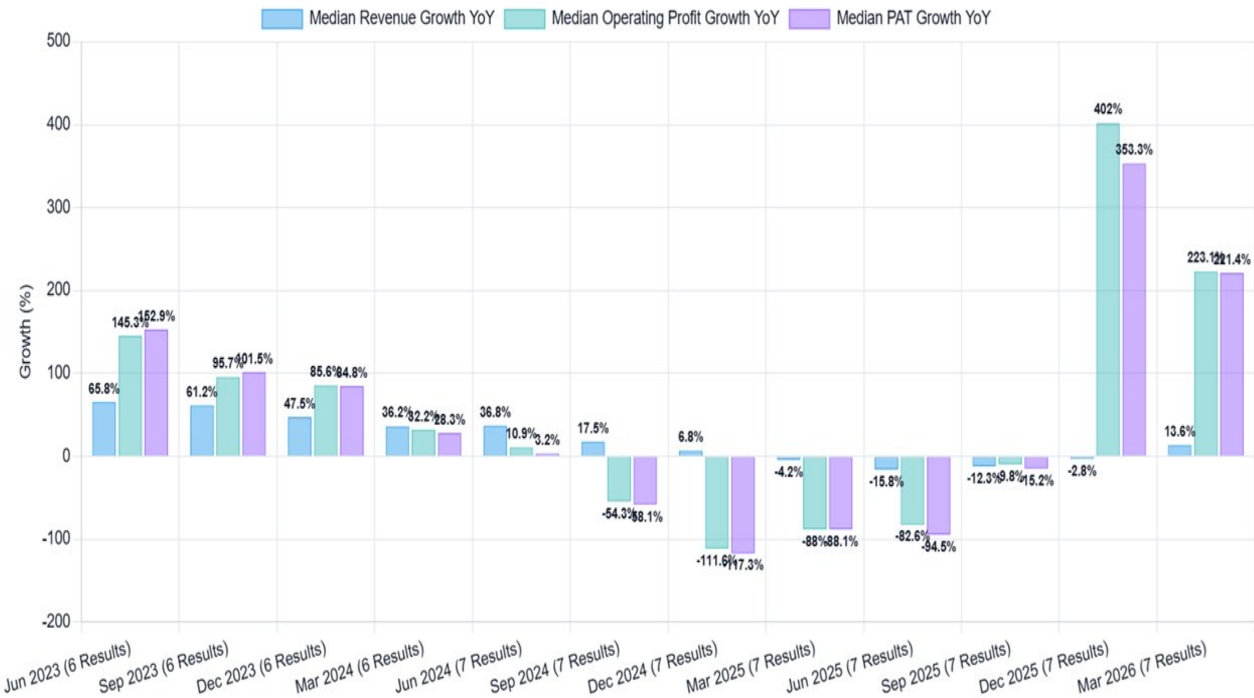
- **Formal lending stayed resilient:** Revenue growth consistently 19–32% across all 12 quarters — vehicle finance, housing and consumer credit demand unaffected throughout.
- **Stress was negligible:** Worst quarter was Dec 2024 at –0.9% PAT. Compare with MFI sector at –111% in the same period.
- **Earnings momentum building:** Operating profit and PAT recovering strongly in last two quarters — credit cost normalisation driving operating leverage.

ECLGS applicable to MSME borrowers — MFI stress is a separate and contained phenomenon. | Source: StockScans / NSE

Income growth has stayed in the 19-32% band across all 12 quarters shown, through every macro headline that has crossed the wire. The lending sector that actually matters (vehicle finance, housing, consumer credit) has not been affected much. Earnings momentum is now showing signs of recovery as credit costs normalise.

Microfinance Industry — Pain Cycle Behind, Recovery Underway

Median Revenue, Operating Profit & PAT Growth YoY | 7 listed MFIs | Jun 2023 – Mar 2026



- **Stress cycle well documented:** PAT declined sharply from Jun 2024, hitting trough of –111% in Dec 2024 — driven by borrower over-leveraging and rural income stress in key states.
- **Revenue held throughout:** Even at peak stress, revenue growth stayed positive — underlying loan book and disbursements did not collapse.
- **Recovery unambiguous:** Last two quarters show sharp PAT and operating profit rebound — trough is behind, normalisation underway.

High YoY growth in Mar 2026 reflects base effect from prior-year losses. | Source: StockScans / NSE

The microfinance sector went through a genuine stress cycle. Earnings fell across the board as the credit costs surged. However, the last two quarters show an unambiguous recovery. The sector's worst seems behind it. Poor monsoon driven another shock is likely though.

Microfinance Sector — Recovery Confirmed

5 leading MFIs | Key operational metrics | Q4FY25 → Q4FY26

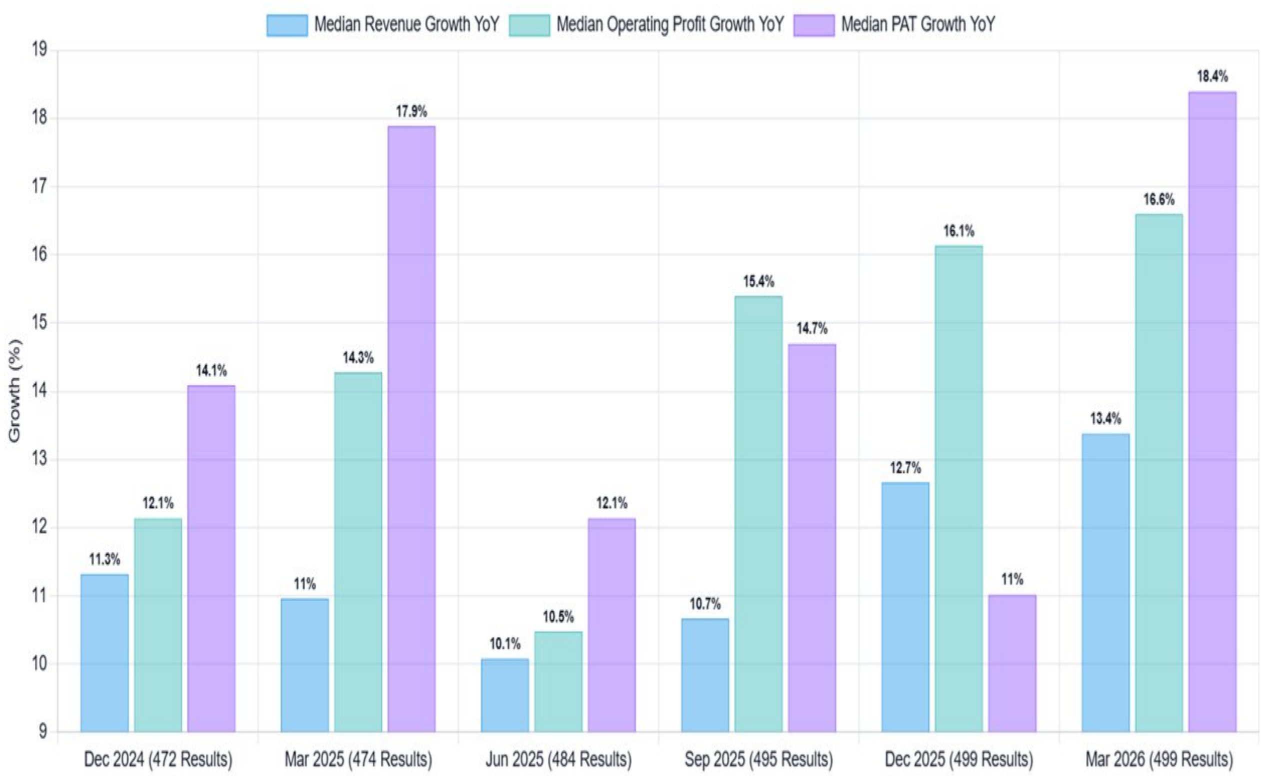
Company	Collection Efficiency Q4FY25→Q4FY26	PAR / Delinquency Q4FY25→Q4FY26	Credit Cost Q4FY25→Q4FY26	Disbursement Growth Q4FY 25→Q4FY26	Status
Arman Financial	Improving (95.3% → 96%)	Improving (6.8% → 0.9% MFI PAR 31-90)	Stable (3.4% → 3.4% GNPA)	Improving (75%)	**Recovery**
CreditAccess	Improving (91.9% → 96.3%)	Improving (5.5% → 2.7% PAR 30)	Improving (2.33% → 1.21%)	Improving (28%)	**Recovery**
Fusion Finance	Improving (98.63% → 99.79%)	Improving (0.57% → 0.03% PAR 0)	Improving (2.9% → 0.93%)	Improving (85%)	**Recovery**
Muthoot Microfin	Improving (90.68% → 96.43%)	Improving (3.8% → 2.7% Stage 2)	Improving (21.10% → 2.8%)	Improving (47%)	**Recovery**
Satin Creditcare	Improving (92.2% → 97%+)	Improving (4.6% → 3.6% PAR 30)	Improving (3.81% → 2.48%)	Improving (53%)	**Recovery**

- **Collection efficiency restored** — X-bucket efficiency at 99.5–99.9%, back to pre-crisis levels
- **Provisioning cycle over** — credit costs declining; FY25 peak stress fully absorbed
- **Back to growth** — highest-ever quarterly disbursements and record AUM in FY26
- **Structurally stronger** — stricter underwriting, CGFMU coverage 80–90%, expansion into secured products

Source: Company concall transcripts and investor presentations Q4FY26. PAR = Portfolio at Risk. GNPA = Gross Non-Performing Assets. CGFMU = Credit Guarantee Fund for Micro Units. Stage 2 = 31–90 days past due.

India Corporate Earnings — Broad Market Revival

Nifty 500 | Median YoY Growth — Revenue, Operating Profit & PAT (Dec 2024 – Mar 2026)



Nifty 500 represents ~95% of free-float market cap on NSE. PAT growth troughed at 12.1% in Jun 2025 and has accelerated to 18.4% in Mar 2026 — the highest in the 6-quarter series. Revenue and operating profit show the same trajectory. Broad-based earnings recovery underway across the Indian corporate sector. | Source: StockScans / NSE

Earnings have been and are not the problem. Sentiment and flows are. When flows normalise, they will find an earnings base that has continued to compound quietly throughout the entire period of market weakness.

Broader Market Earnings Consistently Outpacing Large Caps

Median PAT Growth YoY (%) — Nifty 50 vs Broader Market Indices | Dec 2024 – Mar 2026

Index	Dec 2024	Mar 2025	Jun 2025	Sep 2025	Dec 2025	Mar 2026
Microcap	15.6%	16.9%	15.3%	18.5%	13.7%	27.5%
Smallcap	17.2%	20.6%	13.5%	16.2%	10.5%	17.1%
Midcap	13.5%	16.7%	12.7%	17.8%	13.2%	22.4%
Nifty 500	14.1%	17.9%	12.1%	14.7%	11.0%	18.4%
Nifty 50	**9.7%**	**12.7%**	**9.9%**	**9.9%**	**5.2%**	**10.0%**

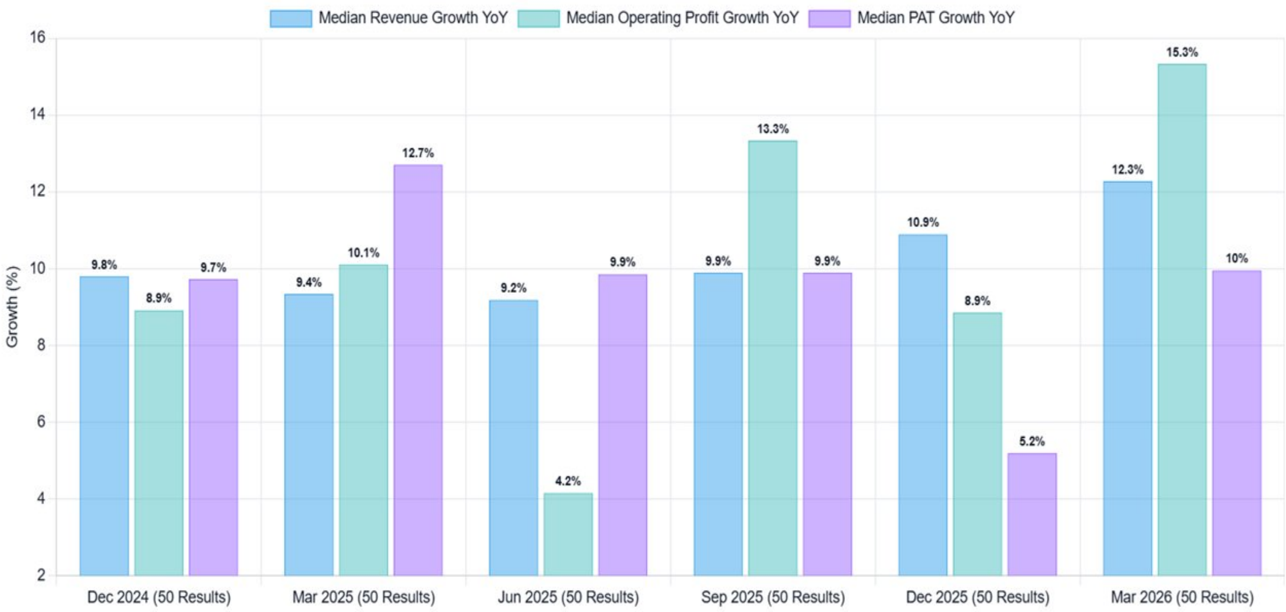
Mar 2026 — All Three Metrics

Index	Revenue Growth	Op Profit Growth	PAT Growth
Microcap	15.0%	20.3%	27.5%
Smallcap	12.9%	14.9%	17.1%
Midcap	15.1%	20.1%	22.4%
Nifty 500	13.4%	16.6%	18.4%
Nifty 50	**12.3%**	**15.3%**	**10.0%**

Median YoY growth. Nifty 50 row highlighted — consistently lowest across all quarters. PAT = Profit After Tax. Op Profit = EBITDA level operating profit. | Source: StockScans / NSE. Results count per quarter shown in detail charts.

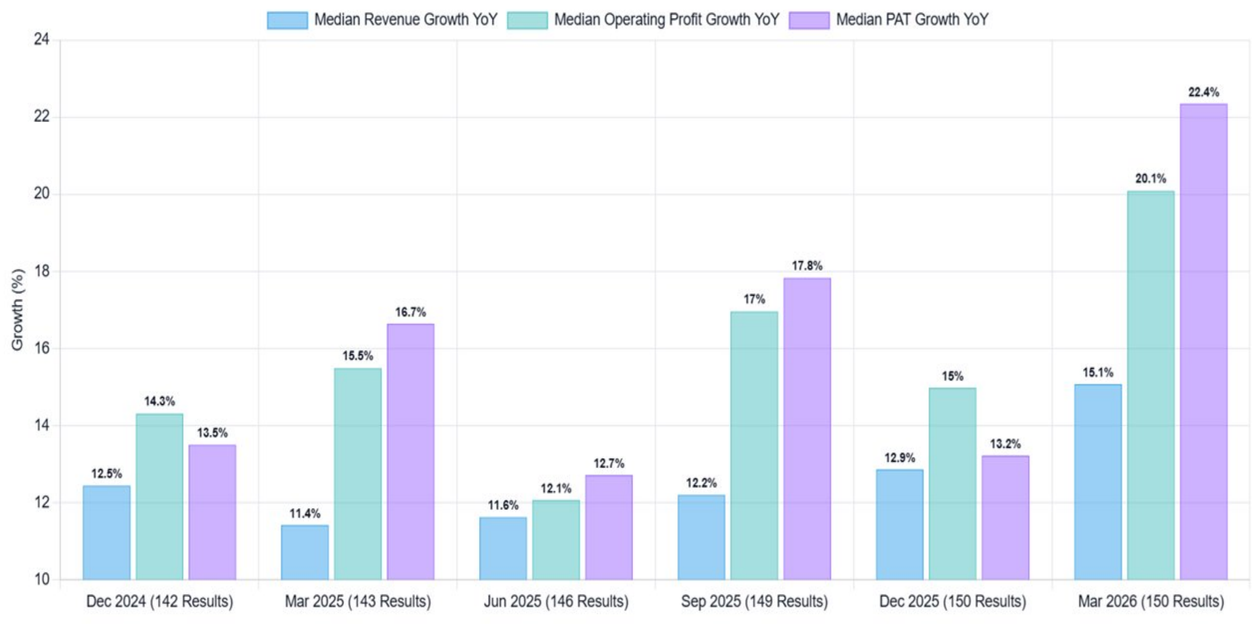
Nifty 50 has been the weakest earnings compounder in every single quarter shown. Microcap segment's PAT growth of 27.5% in March 2026 against Nifty 50's 10.0% shows a broad based earnings growth and not a skewed fundamental market lacking breadth. The market has been punishing smaller companies on liquidity and sentiment grounds while their businesses have continued to outperform.

Nifty 50



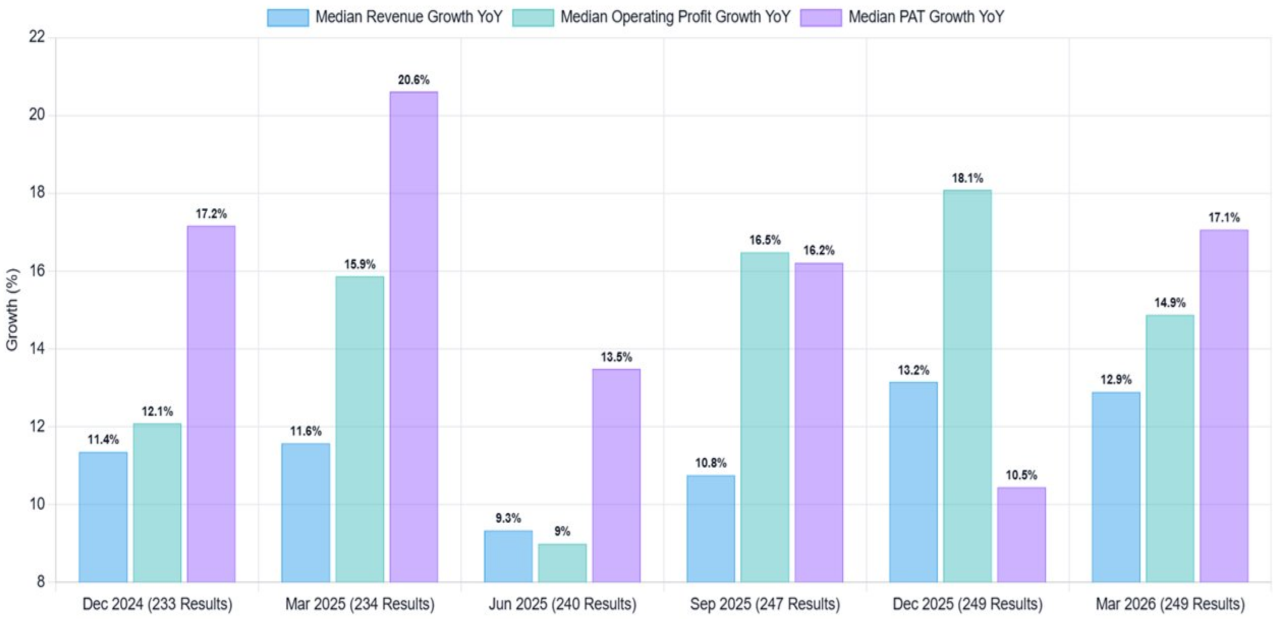
Source: StockScans / NSE | Median YoY growth shown

Midcap



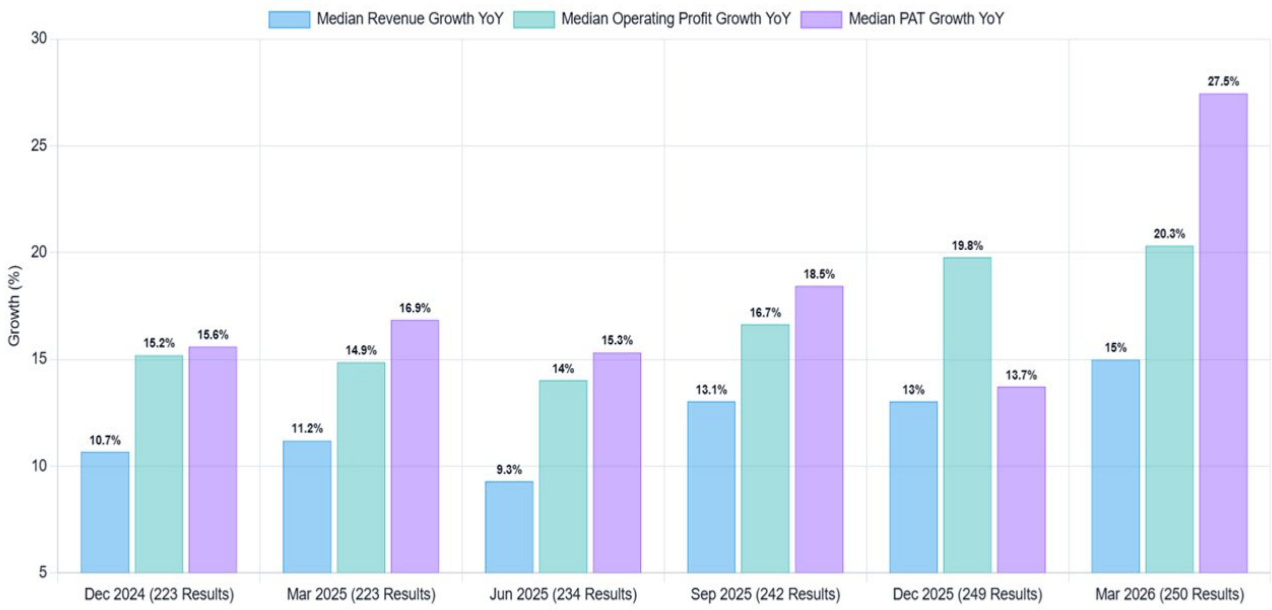
Source: StockScans / NSE | Median YoY growth shown

Smallcap



Source: StockScans / NSE | Median YoY growth shown

Microcap



Source: StockScans / NSE | Median YoY growth shown

Nifty 50 — Historical Response to Global Crises

Peak drawdown, recovery period and post-crisis returns across major global events

Crisis / Event	Year	Nifty Peak Drawdown	Recovery Period	Post-Crisis Peak Return
Gulf War	1990	~35%	~12 months	**+90% in 2 yrs**
9/11 Terror Attacks	2001	~25%	~8 weeks	**+80% in 2 yrs**
Global Financial Crisis	2008	~60%	~18 months	**+190% in 3 yrs**
COVID-19 Lockdown	2020	~38%	~6 months	**+100% in 18 mths**
Russia-Ukraine War	2022	~16%	~4 months	**+25% by year-end**

Drawdown measured from Nifty 50 peak to trough around each event. Recovery period = time to reclaim prior peak. Post-crisis return measured from trough. | Source: NSE / Nifty 50 historical data

The Indian market has recovered from every crisis it has faced. The recovery period has ranged from weeks to eighteen months. In no instance did the market fail to reclaim its prior peak.

Nifty 50 — Historical Response to India-Pakistan Escalations

Forward returns after each major India-Pakistan conflict or escalation event

Event	Year	1M Before	1M After	3M After	6M After	12M After
Kargil War	1999	-8.3%	**+16.5%**	**+34.5%**	**+31.6%**	**+29.4%**
Parliament Attack	2001	+10.1%	**-0.8%**	**+5.3%**	**-0.8%**	**-1.3%**
Mumbai 26/11	2008	+9.0%	**+3.8%**	**-0.7%**	**+54.0%**	**+81.9%**
Uri Surgical Strikes	2016	+1.3%	**-1.2%**	**-7.3%**	**+4.3%**	**+15.6%**
Pulwama / Balakot	2019	-1.3%	**+6.3%**	**+3.8%**	**+1.7%**	**+12.7%**

Returns measured from date of each event. Parliament Attack 2001 (light red) — negative returns attributable to concurrent dot-com bust, not the conflict itself. | Source: Anand Rathi Research / ACE Equity / Business Standard

Four of the five episodes show positive returns within one month. All show positive returns at the twelve-month mark, with the sole exception attributable to the concurrent dot-com bust rather than the conflict itself. Geopolitical escalations between India and Pakistan have proven to be noise for long-term investors.

Nifty 50 — Returns After Sharp INR Depreciation Years

Year	INR Change that Year	Nifty +1 Year	Nifty +2 Years	Nifty +3 Years
2008	**-24.1%**	+81.2%	+110.4%	+65.0%
2011	**-16.5%**	+25.3%	+33.9%	+74.0%
2013	**-12.7%**	+29.9%	+24.5%	+26.5%
2018	**-9.3%**	+12.8%	+26.6%	+56.6%
2022	**-10.4%**	+22.0%	+33.7%	+46.2%
Average	–12.6%	**+34.2%**	**+45.8%**	**+53.7%**

Sharp depreciation defined as annual USDINR change >6% | Nifty returns measured from year-end closing level of the sharp depreciation year | 5 out of 5 episodes: Nifty positive at +1Y, +2Y and +3Y | Source: NSE / Yahoo Finance

In all five prior episodes of sharp rupee depreciation, Nifty was positive at the one, two, and three year marks without exception. The average three-year cumulative return following such episodes is 53.7%. Currency weakness, as uncomfortable as it feels in the moment, has historically been a buy signal for Indian equities as and when it stabilizes.

Nifty 50 — Forward Returns After Negative FPI Equity Years

Year	FPI Net Equity (USD mn)	Nifty +12 Months	Nifty +18 Months	Nifty +24 Months
2008	(11,974)	+75.8%	+79.5%	+107.3%
2011	(358)	+27.7%	+26.3%	+36.3%
2018	(4,390)	+12.0%	-5.2% †	+28.7%
2022	(16,501)	+20.0%	+32.6%	+30.6%
2025	(18,909)	—	—	—
2026 *	(28,628)	—	—	—
Average (2008–2022)	—	**+33.9%**	**+33.3%**	**+50.7%**

* 2026 data through 5 Jun 2026 | † 2018 +18M return lands in Mar 2020 (Covid-19 market crash) | Forward returns measured from Nifty 50 closing level at end of each negative FPI year | Source: NSE / Yahoo Finance

The average Nifty return in the twelve months following a year of net FPI outflows is 33.9%. At twenty-four months, it is 50.7%. We are currently in the middle of what is shaping up to be the largest FPI outflow episode on record. If history is any guide, the setup for forward returns from here is among the most compelling in the last two decades.

India — Worst-Performing Market Despite Strongest Growth

MSCI India vs MSCI EM: Significant Relative Underperformance Episodes (USD, Net Returns)

Year	MSCI India (USD)	MSCI EM (USD)	India vs EM	India GDP Growth	MSCI India +1 Year	MSCI India +2 Yr Total †
2008	-64.1%	-53.2%	**-10.9%**	+3.9%	**+102.8%**	**+145.2%**
2011	-37.2%	-18.2%	**-19.0%**	+6.6%	**+26.0%**	**+21.1%**
2016	-1.4%	+11.2%	**-12.6%**	+8.3%	**+38.8%**	**+28.6%**
2019	+7.6%	+18.4%	**-10.8%**	+5.0%	**+15.6%**	**+45.9%**
2026 *	-11.2%	+25.6%	**-36.8%**	+6.5%	—	—
Avg (ex-2026)	—	—	**-13.3%**	**+6.0%**	**+45.8%**	**+60.2%**

* 2026 YTD through May 2026. Forward returns not yet available. | † 2-Year Total Return = compound return over next 2 calendar years — not annualised. | Source: MSCI India Index factsheet (net USD); MSCI EM Index factsheet (net USD); IMF WEO (GDP)

In every prior episode where India underperformed EM by more than 10 percentage points while maintaining top-tier GDP growth, it delivered an average of 45% in the following year and 60% over the following two years. The 2026 YTD gap of 36.8 percentage points versus EM is the most extreme on record. There is no precedent for this magnitude of under performance not being followed by a meaningful recovery.

Cost of Certainty

Nifty 50 — Return profile across four major stress episodes

Turmoil Phase	Certainty Emerged	Total Upside (Trough to Peak)	Return (Trough to Certainty)	% Upside Captured Before Certainty
GFC 2008–09	Dec 2009: GDP recovery visible, FII inflows returning	**+129.7%**	**+88.6%**	**68%**
Currency Crisis & Political Transition 2013–14	May 2014: CAD reduced, Currency stabilized, decisive majority	**+61.6%**	**+31.6%**	**51%**
Demonetisation 2016–17	Aug 2017: GST stabilised, GDP bounce confirmed	**+38.6%**	**+25.4%**	**66%**
Covid-19 2020	Jun - Jul 2021: Vaccination underway, GDP strongly positive	**+109.7%**	**+79.8%**	**73%**

Trough = lowest weekly closing level of Nifty 50 during each stress episode. Peak = subsequent cycle high before next significant correction. Certainty = point at which recovery was broadly visible in economic data or political outcome. Source: NSE / Yahoo Finance weekly data.

Between 51% and 73% of the total upside from trough to peak was captured before certainty emerged in the data, before GDP visibly recovered, before flows turned, before headlines improved. Waiting for confirmation has historically meant missing the majority of the return. The cost of certainty is real, and it is paid in foregone upside.

The data above is not a prediction. It is context. The businesses we own will determine our outcomes; history simply tells us that patience, in markets like this one, has rarely gone unrewarded.

We thank you again for your trust. Please feel free to reach out to us, should you have any suggestions, questions, or feedback.

Best regards

Parag Jhawar