SUNDARAM ALTERNATES
Sundaram Finance Group

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Portfolio Strategy Update

September '26



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Dear Investor,

Subject: Steady course through a stormy month

September 2026 was the toughest month of the year for Indian equities. The Nifty fell 6.1%, its weakest September since 2018, and Indian markets have now declined for 8 consecutive weeks, the longest such streak in the last 25 years. Globally, India was among the weakest-performing markets, with only Indonesia faring worse. Our strategies were not spared either – 3 of our 4 strategies lagged BSE 500 TRI during the month.

We owe you an honest explanation of why we remain confident about the road ahead.

Market Recap – a convergence of shocks: Hostilities around the Strait of Hormuz flared up again, pushing Brent crude to ~USD 110/bbl in mid-September and INR past 96/USD. Central banks across the world turned hawkish – US Fed raised rates for the first time since 2023, with the ECB and Bank of Japan following with hikes of their own. Within India, a sudden spurt of regulatory actions unsettled investors across sectors. 32 IPOs raised USD 4.1 bn during the month, draining liquidity from listed stocks. Nifty Midcap 100 fell 7.6%, while Nifty Smallcap 100 fell a relatively modest 3.4%. IT (-11%), Auto (-9%) and Consumer Durables (-9%) were the worst-hit sectors.

Regulatory risk moved from latent to active. IRDAI released draft regulations proposing steep caps on distributor commissions in insurance; Supreme Court questioned large markups on drug prices while hearing a petition on medicine pricing; and Ministry of Power invoked emergency powers directing 112 captive coal-based power plants to run at full capacity. In October, Kerala and the SC widened the scrutiny to hospital pricing and pharma marketing. Regulatory risk always exists in essential sectors, but it is now top of mind for investors. Insurance regulations are still open for consultation, drug pricing matter is sub-judice – final outcomes may be more moderate, but uncertainty is likely to linger for a few months.

RBI joins the global tightening cycle. On 7th Oct, RBI raised repo rate by 25 bps to 5.50%, its first hike since 2023, and changed its stance from neutral to "calibrated tightening" by a 4-2 majority. The Governor made it clear that rate cuts are off the table in the near term. Importantly, RBI raised its FY27 GDP growth forecast by 40 bps to 7.1%, even as it raised its CPI inflation forecast to 5.2%. Consensus now expect repo rate to rise to ~6.0% over next few policies. For banks, the impact is manageable – lenders with a higher share of repo-linked loans, such as Axis Bank, Kotak Mahindra Bank and HDFC Bank, should see their loan yields reprice faster.

Indian economy – stressed, but resilient. Unlike past oil shocks, the economy is absorbing this one far better. India's net crude imports are now ~2.9% of GDP versus 4.3% in FY14; the government and corporates have absorbed ~75% of the oil shock, sparing consumers; and a weaker INR is boosting exports. Q1FY27 GDP grew 7.8%, IIP growth accelerated to 8% in August, and gross GST collections stayed above Rs 2 lakh crore for the 3rd consecutive month.

Flows – record supply. FPIs sold USD 4.1 bn of Indian equities in the secondary market in September, while DIIs bought USD 8 bn. Interestingly, FPIs continue to invest in IPOs and other primary issues even as they sell listed stocks. The record supply of new paper – ~USD 60 bn raised over last 12 months – is now absorbing a large part of domestic flows.

Early signs of Q2FY27 are encouraging. Festive demand lifted auto volumes – Maruti Suzuki's total sales rose 24% YoY and vehicle registrations ~32%. Banks reported healthy business updates, with HDFC Bank's advances up ~17% and Axis Bank's up 23%. Retailers such as Trent (+23%), DMart (+18%) and V-Mart (+18%) reported strong revenue growth, and Accenture's better-than-expected results signal improving demand for IT services in coming quarters. Our recent management meetings tell us that demand is intact, and that the next leg of earnings growth will come from margins – better product mix, backward integration and maturing assets – rather than volumes, as being seen in some companies' business updates.

Subject: Our performance – a tough month in a strong year.

SISOP, SELF and Voyager lagged BSE 500 TRI in September by 0.7–1.4%, though SELF outperformed its Nifty Midcap 150 benchmark, and Rising Stars outperformed both BSE 500 TRI and Nifty Smallcap 250.

The underperformance came mainly from 2 pockets. (1) a regulatory shock: PB Fintech (-43%) fell sharply on the IRDAI draft, and banks and NBFCs fell along with the broader financial sector, which sold off across the board, due to the same. Hospitals face pricing scrutiny from courts and states. (2) a competitive shock: KEI Industries (-16%) and Dynamic Cables (-20%) de-rated after UltraTech Cement entered the wires and cables business. On the positive side, MTAR Technologies (+11%), TD Power Systems (+6%) and Indian Hotels (+2%) cushioned the impact. Over longer time periods, all our strategies remain ahead of their benchmarks – a reminder that a balanced, diversified portfolio is built to be judged over a full cycle, not a single month.

What we did regarding specific stocks:

- **PB Fintech:** The IRDAI draft is severe in its recommendations and is likely to be softened after consultation, and stocks could see some recovery. But, even a watered-down version changes how these businesses make money. Hence, we have not added despite the sharp fall, not bought for new clients after the event, and will potentially take a considered view on further action after the final version come through.
- **Banks and NBFCs:** Insurance commissions form between 5-10% of PBT for some banks. Hence, they will see some adverse impact on their profitability. Among banks, IndusInd Bank had a disproportionately high share of profits from insurance commissions. Hence, we exited IndusInd Bank at a decent profit for most of our clients. NBFCs also corrected due to these concerns. We used the correction to add to select positions for new clients.
- **Wires and cables:** We view UltraTech's entry as a real long-term threat to margins and market share, not so much for larger players, but for smaller players who face higher risks from a potential industry consolidation. We do expect a de-rating for the sector – a milder one than paints, given strong industry growth and lower valuation multiples. We have booked partial profits for older clients and are going slow in building weights for newer clients.
- **Hospitals:** Pricing control risk on drugs and services can be a de-rating event for hospital companies. Hence, we trimmed Aster DM in older clients as a part of the profit booking exercise.
- **IT Services:** Accenture's results suggest better times ahead for IT services. We remain invested in the existing names and add on corrections for new clients.
- **New ideas:** We have added new companies in different strategies, funded by exits and trimming of existing positions. Profit-booking in our winners in June and July also helped cushion the September fall.

In a market increasingly driven by narratives, we remain disciplined: We buy companies with high earnings visibility rather than stories, size positions by liquidity and entry valuation multiples, trim where valuations run ahead of earnings or where new risks emerge and avoid stocks that are driven by themes or "marquee investor" buying.

When people start questioning "why will the market go up?", it is often a sign that markets are nearing a bottom. Are we at the bottom? We do not know – stocks could well fall another 5-10%. But when fear becomes universal and everyone finds reasons why equities cannot make money, history suggests it is time to start looking the other way.

Stay invested. Stay disciplined. Be patient.

From the desk of:
Darshan Engineer
Fund Manager, PMS Portfolios

Storms Test the Ship, Not the Destination

If the first half of CY26 was about war and crude, September added two new variables to an already complex equation – rising global interest rates and rising domestic regulatory risk. Nifty fell 6.1% in September, its weakest September since 2018, and is ~13% down for CY26 so far. Indian markets logged 8 consecutive weekly declines, the longest such streak in 25 years, and India was among the weakest markets globally. On 7th Oct, the RBI joined the global tightening cycle with its 1st rate hike since 2023. Yet beneath the headline gloom, the economy is holding up far better than it did in past oil shocks, and early indicators for Q2FY27 suggest that corporate India continues to be resilient.

A. A convergence of shocks – what happened in September

There was no single trigger for the fall. Rather, multiple shocks hit the market at the same time:

Shock	What happened in Sep 2026	Market impact
US-Iran / Hormuz	US struck Iranian oil tankers (5th and 8th Sep); President Trump rejected Iran's 7-day plan to reopen the Strait of Hormuz (26th Sep)	Brent peaked at ~$110/bbl on 15th Sep; INR breached 96/USD on 29th Sep
Global Central Banks	US Fed's first hike since 2023: +25 bps to 3.75–4.00%, with one more signalled; ECB +25 bps; Bank of Japan +25 bps to 1.25%	Higher global bond yields; FPI outflows from Ems
Adverse Regulation	IRDAI draft on commission caps (23rd Sep); SC remarks on hospital drug pricing (22nd and 29th Sep); Section 11 directive to captive coal plants (26th Sep)	Nifty Financial Services -6%; PB Fintech -43%
Competition	UltraTech Cement launched its wires and cables brand, Ultravolt, with a planned investment of Rs 1,800 crore	Sharp de-rating of wires and cables stocks (KEI -22%, Polycab -15%)
Supply of paper	32 IPOs raised $4.1 bn, including NSE	Liquidity drained from listed stocks
Flows	FPIs sold $4.1 bn in the secondary market after 2 months of buying	Absorbed by DIIs, who bought $8.0 bn

Source: Kotak Institutional Equities, Navia, CNBC, Al Jazeera, RFE/ RL, Angel One

The sell-off was broad-based, with almost all sectoral indices ending in the red. Rate-sensitive and discretionary sectors were hit the hardest, while defensives such as pharma, metals, and FMCG fell less. Globally, only Indonesia (-7%) fared worse than India, while Brazil (+4.8%) and Taiwan (+3.9%) gained.

B. Froth beneath the surface – the supply of paper and the chase for "undiscovered" stocks

How can the market fall 6% while the IPO market is booming? The answer lies in two forces working beneath the surface – a record supply of new paper and a narrative-driven chase for less-discovered stocks.

1. **The supply of paper is absorbing domestic flows.** Over the last 12 months, ~$60 bn has been raised through IPOs, QIPs, FPOs and block deals, against ~$92 bn of DII buying. In recent months, DII buying has largely funded this issuance. H1FY27 is on course to be one of the best periods ever for equity raising, and investor appetite has only grown:

IPO metric	H1FY26	H1FY27
IPOs subscribed more than 10x	62%	66%
Average retail applications per IPO	12.7 lakh	17.7 lakh
Average listing-day gain	7%	19%
IPOs with listing gain above 10%	31%	56%

Source: Prime Database

The flow data adds an interesting twist. In CY26 so far, FPIs sold $33.2 bn of Indian equities in the secondary market, yet invested $5.9 bn in primary issues. In September alone, they sold $4.1 bn in the secondary market while investing $0.9 bn in primary issues. Foreign investors are not abandoning India – they are rotating from listed stocks into new paper and into unlisted or pre-IPO space as well.

Not all equity raising is equal, though. When promoters sell down, it adds to supply. When promoters put their own money in, it is a vote of confidence. Bajaj Finance's recently approved raise of up to Rs 175 bn is a good example – a third of it is through warrants subscribed by the promoter, Bajaj Finserv, unlike past raises where the promoter's contribution was small or nil.

2. **The chase for "undiscovered" stocks.** The prevailing narrative is that small and mid-caps are outperforming because of superior earnings growth. That is true to an extent – smaller companies have genuinely grown earnings faster, and higher-beta stocks naturally rebounded hardest from the March lows. But the cycle tends to feed on itself: earnings growth draws fund flows, flows drive prices, prices improve the narrative, and rising liquidity allows ever-larger positions to be built. Gradually, the narrative shifts from the core business to the one "exciting" project or new theme that contributes little to earnings. An analysis of ~2,000 NSE-listed stocks shows that the strongest returns have come not from the smallest stocks, but from those *being discovered* – small enough to re-rate, large enough to attract liquidity, and outside the radar of institutions and analysts:

The market is paying a premium for stories it has not yet fully examined. September fit the same pattern – the Nifty Smallcap 100 fell just 3.4%, against 6.1% for the Nifty and 7.6% for the Nifty Midcap 100. The weak link in this

cycle is liquidity. When narrative changes or earnings fail to justify it, liquidity disappears just when it is needed most, and unwinding is disorderly. Lower the free float, more careful one needs to be.

Lens	Bucket	6M avg return	Traded Volume, Q3 vs Q1 CY26
Size (free float)	Below Rs 100 crore	+17.1%	+34%
	Rs 1,000–2,000 crore	**+42.2%**	**+136%**
	Above Rs 20,000 crore	+17.0%	-2%
Institutional ownership	Below 5% of free float	+33.3%	+124%
	Above 50% of free float	+18.4%	+39%
Analyst coverage	None	+31.7%	+116%
	More than 15 analysts	+10.8%	+14%
Same size, different discovery (Rs 5,000–10,000 crore free float)	No coverage	**+56.4%**	**+49%**
	More than 15 analysts	+11.4%	+35%

Source: Macquarie; analysis of ~2,000 NSE-listed stocks

How we guard against it. Our strategies actively invest in mid- and small-caps, so this is a question we take seriously. We have followed certain guardrails and acted on them:

- We buy on earnings visibility, not on stories**.** The core business must justify the valuation, not the exciting new project or theme, a company is chasing.
- We size positions by liquidity and free float**.** Smaller, less liquid stocks get smaller weights so that we can exit in an orderly way in case the thesis doesn't work out.
- We trim where valuations run ahead of earnings but long-term prospects remain intact**,** as seen in the decent profit-booking seen in our winners during the past few months.
- We avoid companies that chase a theme without underlying ability.

C. Regulatory risk – from latent to active

Within a span of 20 days, regulatory risk has become top-of-mind for investors. It started with insurance, then moved to hospitals, pharma, and thermal coal. These risks always exist, but were latent; recent developments have made them real and active. The common thread across all of them is a single question: **should pricing and volumes be left to market forces, or can the executive, the judiciary, or the regulator step in?**

1. Insurance – IRDAI proposes a reset of distribution economics

- **What happened?** On 23rd Sep, IRDAI released draft regulations that sharply cut the commissions that insurers pay distributors. 1st-year commissions on pure term products are capped at 25%/30% for intermediaries and agents, versus an industry average of ~51%. Lenders' 1st-year commissions on loan-bundled life cover are capped at 2-2.5%, versus an effective payout of ~45% on group credit life today. In General Insurance, commissions on new-vehicle own-damage cover are capped at 5%/10% (current motor average ~26%) and first-time health cover at 15%/20% (~24% currently). Expense-of-management ceilings tighten over 5 years, and compulsory bundling of insurance with loans is banned.
- **Why?** Distributor remuneration has been growing 4–5x faster than premiums, which suggests that commissions are eating into benefits that should accrue to policyholders.
- **The other side:** Distributors argue that they are not making outsized profits – the largest online distributor, PB Fintech, earns an EBITDA margin of <10% after 18 years in business. Its management has indicated that caps, if implemented as proposed, could compress revenue by ~30%. According to industry, bigger problem is the servicing and honouring of policies, not distribution costs.
- **What next?** This is a consultation draft, open for feedback until late October. Final caps, mechanics, and timelines can still change.

2. Hospitals and pharma – Supreme Court questions drug-pricing markups

- **What happened?** Supreme Court of India is hearing a petition seeking mandatory generic prescriptions, price controls on non-scheduled medicines, and MRP caps on medical devices. On 22nd Sep, the bench made strong remarks about a cancer medicine sold to retailers for Rs 2,700/unit but carrying an MRP of Rs 27,000, and noted that under Ayushman Bharat, such prices are ultimately borne by taxpayers. On 29th Sep, it asked why 16% trade margin cap applicable to essential medicines should not apply to all medicines. The next hearing is on 12th Oct.
- **Potential impact:** Sell-side estimates suggest EBITDA impact of ~5-12% for hospitals, assuming a 50% markup on drugs and that hospitals offset ~60% of revenue impact by repricing treatment packages and other services.
- **States are joining in.** On 1st Oct, Kerala government announced plans for a law to regulate treatment costs at pri-

vate hospitals. A four-member committee will draft a Bill covering upfront disclosure of expected costs, itemised bills, transparent pricing of medicines (including selling below MRP and disclosing hospitals' purchase prices), and charges for diagnostics, scans, room rent and procedures. The government has said the rules will account for hospitals' operating costs, but if other states follow, pricing pressure on hospitals could become more widespread than the Supreme Court case alone.

- **Scrutiny is widening to pharma marketing.** On 8th Oct, in a separate case, the Supreme Court directed the Centre to form a committee to examine whether unethical marketing practices by pharma companies – including their interactions with doctors – need statutory regulation. Until it reports, the voluntary Uniform Code for Pharmaceutical Marketing Practices (UCPMP), 2024 will continue to apply. Court has questioned whether this code has adequate teeth, so statutory backing is a real possibility.

3. Payments – regulation can also cut the other way

- **What is happening?** Not every regulatory change is negative. UPI payments to merchants have so far carried no merchant discount rate (MDR), leaving payment companies unable to earn on a large share of UPI volumes. The proposed framework introduces an MDR of 0.40% (capped at Rs 300) on merchant payments above Rs 2,000, and a flat Rs 5 per transaction above Rs 2,000 for bill payments, utilities, education and fuel; consumers will pay nothing. Traders' associations opposed the move, but the Finance Ministry has reportedly declined to withdraw it. Instead, implementation may be deferred from 15th Oct to 1st Jan to keep UPI free through the festive season, and the small-merchant exemption may be widened from monthly turnover of Rs 1 lakh to annual turnover of Rs 40 lakh.
- **Impact:** If implemented, payment companies can monetise UPI transactions for the first time. The deferral itself has little impact, but the final definition of a small merchant will decide how much of UPI value becomes eligible for MDR – one brokerage assumes ~35% of UPI value for the industry.

Our take – no easy answers, but clear lessons. No regulation is not the right answer for essential services either – and as UPI shows, regulation can just as easily unlock value as destroy it. We draw a few lessons:

- **Regulatory risk is highest where a business earns outsized economics in an essential service or where the consumer is most vulnerable.** It pays to analyze whether profits are earned through value creation or through some form of asymmetry.
- **Drafts are not final rules.** First proposal is usually the harshest. Consultations and courts tend to moderate outcomes, but the uncertainty lingers and keeps valuations capped until clarity emerges.
- **Since nobody can predict where the regulatory agency will look next, the best defense is diversification** across sectors, themes, and business models, combined with disciplined position sizing.

D. India macro – stressed, but resilient

RBI joins the global tightening cycle. On 7th Oct, the RBI's Monetary Policy Committee unanimously raised the repo rate by 25 bps to 5.50%, its first hike since 2023. RBI has turned hawkish and shifted its stance from neutral to "calibrated tightening" (by a 4-2 majority), making it clear that rate cuts are off the table and that the next move can only be a hike or a pause. Yet it raised its FY27 growth forecast by 40 bps to 7.1%, after a strong 7.8% in Q1. Inflation is the concern: the FY27 CPI forecast is up to 5.2%, with Q3 expected to peak at ~6%, and core inflation rising to 4.2% suggests price pressures are broadening, with a weak monsoon and El Niño adding risk. Consensus expects two more 25 bps hikes in December and February, taking the repo rate to ~6%, and the cycle could extend to 100–125 bps if crude and food prices stay high. For banks, the impact is manageable: lenders with a high share of repo-linked loans, such as private banks, will see loan yields reprice faster, while those with mostly fixed-rate loans may see margins lag.

Why India is more resilient this time. Despite crude at ~$100/bbl, a weaker INR and tighter global financial conditions, India's growth has held up far better than in past oil shocks – and this is no accident. The economy is far less oil-intensive than a decade ago – net oil imports are now under 3% of GDP, versus over 4% in FY14, the last time crude stayed above $100/bbl. Much of the shock has been absorbed by those best placed to bear it – the government through excise cuts and subsidies, and corporates through their margins – while households entered this period in better shape after last year's GST cuts, income tax relief and rate cuts, supported further by state cash-transfer schemes. A weaker INR, a uniform 10% US tariff, and a growing list of trade agreements are making Indian exports more competitive, and net exports added meaningfully to Q1FY27 GDP growth of 7.8%. Meanwhile, with factory capacity utilization above 75%, a growing project pipeline and corporate lending rising ~20% YoY, the long-awaited private capex cycle is finally showing green shoots. This is also why the RBI can afford a measured, rather than aggressive, tightening cycle.

Macro indicator	Jun 2026 newsletter	Now	Direction
Brent crude ($/bbl)	$90–110	$94–110 in Sep (~$98 at month-end)	→ Elevated
USD-INR	~94–96	~96 (breached 96 on 29th Sep)	↓ Weaker
RBI repo rate	5.25%	5.50% (hiked on 7th Oct)	↑ Tightening
US Fed funds rate	3.50–3.75%	3.75–4.00%	↑ Hiking
CPI inflation	~5–5.5% (est.)	4.8% (Aug); RBI FY27E: 5.2%	↑ Rising
FY27 GDP growth	6.5–7% (est.)	RBI: 7.1%; Q1FY27 actual: 7.8%	↑ Upgraded
IIP growth	~4.9% (Jun)	8.0% (Aug) vs 6.7% (Jul)	↑ Accelerating
FPI flows (CY26 YTD)	–$21.7 bn	–$27.3 bn (–$33.2 bn secondary)	↓ Persistent sellers
DII flows (CY26 YTD)	+$32.7 bn	+$68.1 bn	↑ Record absorption
Gross GST collections	Rs 1.95 lakh cr in Jun (+13,9% YoY)	Rs 2.04 lakh cr in Sep (+14.7% YoY)	↑ Robust

Source: RBI, Kotak Institutional Equities, Navia, Federal Reserve, Goodreturns

The world is taking note. Despite the oil shock, every major forecaster of note has raised its estimate of India's FY27 growth in the last 2 months, on the back of stronger-than-expected 7.8% GDP print in Q1FY27 – the RBI and OECD to 7.1%, S&P, ADB and Moody's to 7.0%, and Fitch to 6.9%. High-frequency data confirms the momentum as India's manufacturing PMI rose to a 7-month high of 55.1 in September (from 52.8 in August) – the 59th consecutive month of expansion – with export orders rising faster and hiring at its fastest pace since May. Services PMI rose to 55.2, taking the composite PMI to 55.9. IIP growth accelerated to 8% in August from 5% in Jun 2026. Long-term investors remain constructive as the underlying India story remains structurally sound and presents a lucrative opportunity for active investors, citing corporate lending growth of ~20%, healthy auto and property demand, with the domestic economy acting as a buffer against external shocks.

E. Q2FY27 – early signals point to a resilient micro

The pattern we have highlighted for some time – a weak macro but a strong micro – continues. Q1FY27 profits (ex-OMCs) grew by 18.6%, ahead of ~14% expected, and early data points for Q2FY27 remain encouraging:

- **Autos – festive demand kicked in.** Maruti Suzuki's total sales rose 24% YoY to 2.36 lakh units in September, Tata Motors' domestic PV sales rose 15% and M&M's total auto sales rose 15%. Vahan registrations rose ~32% YoY to 4.2 lakh units.
- **Lenders – credit growth remains healthy.** On a large base, HDFC Bank's advances grew ~17% YoY and deposits 18.8%, while Axis Bank's gross advances grew 23% and deposits 21%. Among small finance banks, Ujjivan's disbursements grew 33% and Equitas' 39%. Bajaj Finance's AUM grew 26.5% to Rs 5.85 lakh crore.
- **Retail – consumers are spending.** Trent's standalone revenue grew 23% to Rs 5,788 crore as it opened its 1,000th Zudio store. DMart's revenue grew 18.4% to Rs 19,206 crore and V-Mart's 18% to Rs 953 crore.
- **IT – a positive global read-through.** Accenture's Q4FY26 (Sep-end) revenue grew 7% in local currency to $18.7 bn, above the top end of its guided range, with a book-to-bill of 1.2x. Consulting accelerated to 7% growth, smaller deals are returning, and the Communications, Media and Technology vertical – the one most exposed to AI-led disruption – was its fastest-growing segment at 11%. Accenture also added headcount for a 2nd straight quarter. Since enterprise IT demand has historically followed consulting with a 6-9 month lag, this bodes well for Indian IT Services. Mid-cap players such as Persistent and Coforge continue to execute well ahead of the sector.
- Ahead of Q2 earnings season, our management meetings across sectors also leave us with a clear message: **demand is intact and in many cases, thriving despite a weak macro narrative.**

F. Valuations – a further reset

The September fall has taken the Nifty ~14% below its record high. Since earnings continue to grow, valuations have reset further. As per consensus estimates, Nifty-50 now trades at 18.4x FY27E and 16.2x FY28E earnings, with earnings expected to grow ~18% in FY27E and ~13% in FY28E.

Nifty-50	FY26	FY27E	FY28E
EPS growth	8.3%	17.9%	13.4%
Free-float P/E	21.3x	18.4x	16.2x
P/B	3.1x	2.7x	2.5x
RoE	14.1%	14.9%	15.1%

Source: Kotak Institutional Equities estimates

Globally, India's valuation multiple premium may look optically high – MSCI EM index trades at ~11.4x CY26E earnings – but that multiple has been compressed by an extraordinary surge in earnings in Korea and Taiwan, driven largely by the technology hardware cycle (Kotak estimates CY26 earnings growth of ~309% for Korea and ~80% for Taiwan). **Excluding such cyclical spikes, India offers one of the more durable earnings growth profiles among major markets at a valuation well below its own recent history.**

G. Storms test the ship, not the destination

The markets right now are brutal. Fear is everywhere, portfolios are bleeding, and every incremental piece of news seems negative. Investors are asking a familiar question – *why will the market go up?* – citing oil, rates, regulation and geopolitics as reasons why it cannot. As a fellow investor put it recently, the very existence of this question is often a sign that markets are nearing a bottom.

We have seen this before – in 2008, 2013, 2016, 2018, 2020, 2023, 2026. Every cycle looks different while we are living through it – different reasons, headlines, and villains each time. But at some stage, markets reach a point where almost everyone who wants to sell has sold, expectations have collapsed, and valuations begin to discount a far worse future than what eventually materializes.

Are we exactly at the bottom? We do not know. Can stocks fall another 5-10%? Absolutely, and many probably will. Some businesses will have earnings problems, and some will take longer to recover. But today, several good businesses are trading at valuations we would describe as reasonable – in beaten-down large and mid-caps, in IT and in financials. This is where we want to be greedy, while staying careful about story stocks in the frothier corners of the market. Money is rarely made when things look rosy; it is made when almost nothing does. The economy is resilient, earnings continue to grow and valuations have reset.

Christopher Nolan's The Odyssey is a fitting mirror for these times. After 10 years of war, Odysseus spends another 10 years trying to reach home, and the numerous obstacles along the way easily describe today's markets – (1) The Sirens' song is the lure of the hot narrative and "undiscovered" story stock; (2) the monster Scylla is the shock no one can steer around, whether war, rate hikes or a regulator's pen; (3) the lotus flowers that make him forget his way home are the comfort of sitting in cash and losing sight of the long-term destination. (4) Back in Ithaca, his wife Penelope faces a crowd of suitors consuming his wealth and insisting her husband will never return – much like the chorus today that insists that Indian equities will never make money again. She does not give in, and she is eventually proved right.

The journey is long, the route is never straight, and the stories told along the way are not always reliable – but the ship that holds its course does reach home. **The storm will pass – portfolios built on good businesses will reach their destination.**

Stay invested. Stay disciplined. Be patient.

Objective: To generate capital appreciation across market cycles by investing in a concentrated set of high conviction stocks.

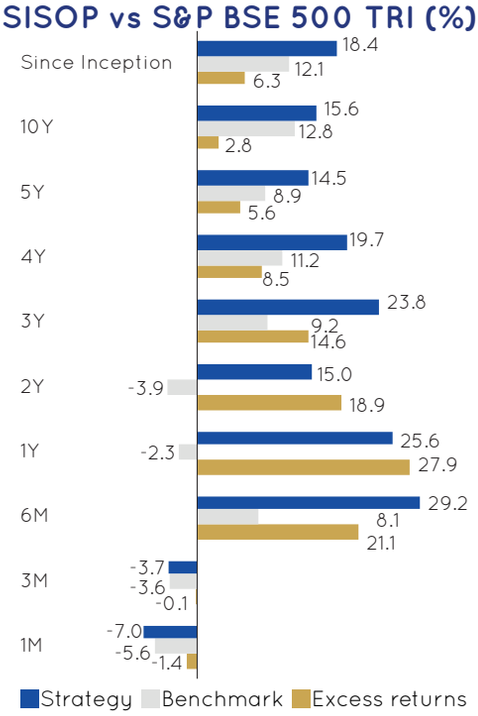
Key Features

- Concentrated Portfolio -Around 18-22 stocks.
- Invests across market caps – "Multi Cap".
- Long term orientation towards portfolio building i.e. >3 years
- Invest in business with secular growth opportunities.

Compounding Stories

- Companies with growth opportunity > 15%
- Ability to generate > 15% ROIC
- Excellent cash flows from business
- Option to reinvest for growth
- Low D/E to sail through crisis situations and gain market share

SISOP vs S&P BSE 500 TRI (%)



Note: Numbers may not add up due to rounding

Investment Horizon	Benchmark	Inception	Fund Manager
Above 3 years	S&P BSE 500 TRI	February 2010	Mr. Darshan Engineer

Portfolio & Stock performance

Top performers in the portfolio are **MTAR & TD Power**, up ~ 11.4% & ~ 6.0% respectively. **MTAR** continued its strong momentum supported by a robust Q1FY27 performance and a record order book. Strong execution across clean energy and civil nuclear businesses, along with a sizeable reactor refurbishment order, reinforces revenue visibility. In the last few months, the various opportunities have received further boost through continuous order inflows and record order book for its clients as well. Timely capacity expansion and improving operating leverage provide a strong foundation for sustained growth and earnings momentum. **TD Power** saw strong operational momentum, driven by robust order execution across its core AC generator and electric motor business. Its latest quarterly performance reflected sharp top-line growth and healthy margin resilience, backed by accelerating global demand. High export order inflows and upgrade in guidance for the next few years continue to strengthen earnings visibility, supported by rising adoption in industrial power generation, renewable infrastructure, and data center energy requirements. In addition, it also signed a new long-term agreement to supply 100+ MW to Siemens Energy. Supported by operating leverage and a virtually debt-free balance sheet, the company remains well-positioned for sustained medium-term growth.

Draggers to portfolios were **Cholamandalam & KEI Industries,** down ~ 11.0 % & ~ 15.6 % respectively. **Cholamandalam** remained operationally strong, supported by healthy disbursement growth, expanding AUM and robust profitability in Q1FY27. Profit growth was driven by operating leverage and controlled credit costs, while the company continues to gain traction across vehicle finance, housing and other retail segments. However, asset-quality metrics and growth may see some moderation, particularly in vehicle finance and LAP, as El-Nino risks emerge and interest rate hikes begin. In addition, insurance commission draft regulations also impact its fees growth impacting its profitability marginally. We remain positive on the continued branch expansion, improving productivity and a diversified lending mix, and expect earnings momentum to remain. **KEI Industries** saw a price correction in September, despite strong underlying business momentum and a strong Q1FY27 performance. The stock experienced near-term weakness and a slight de-rating in its valuation multiples, amid market worries about Ultratech entering the industry with its own capacity. We partially trimmed our position and booked profits as a risk-management exercise. However, long term outlook remains strong and we expect that it will continue to do well over the long-term.

Entry:

Meesho Limited is a play on India's value/social commerce opportunity in Tier 2 and Tier 3 cities and it's the largest e-commerce marketplace by orders placed and annual transacting users. The franchise has expanded by reaching price sensitive customers in tier2/3/4 towns, where Amazon/Flipkart have low penetration. Interestingly, it a zero-commission model and they earn their revenue through fulfilment of orders and advertisements. 87% of their users come from outside the top 8 metro and over 45% are under 30 years old. The business mimics China's Temu, which disrupted Alibaba and JD.com by going deep in the rural underserved base. With revenue growth accelerating and losses narrowing sharply, the company is on a credible path toward profitability. It is trading at an implied valuation of 3.8x EV/sales, in line with B2C internet peers.

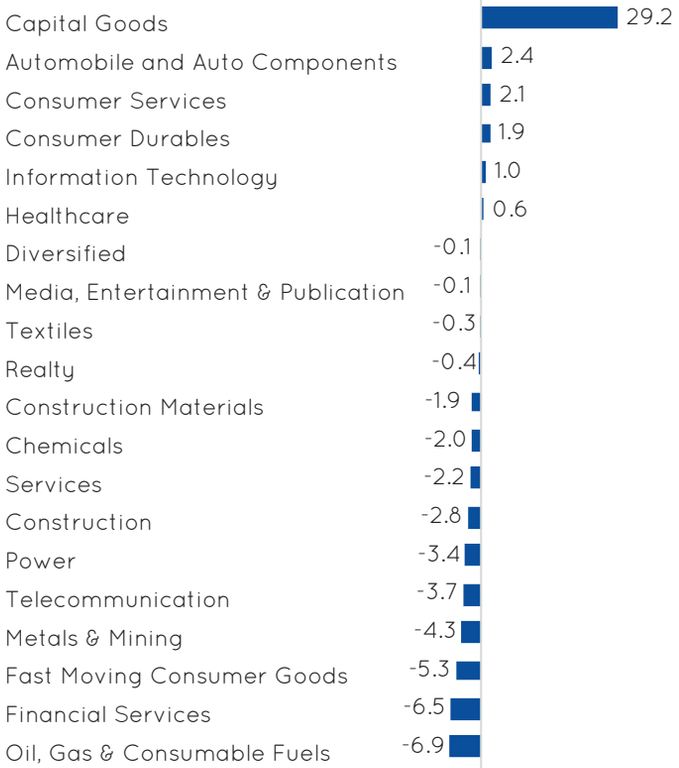
ONE 97 Communications Limited (Paytm) offers a very strong play in payments eco-system with structural plays on (1) MDR introduced on P2M UPI GMV (2) Higher share of Rupay credit cards spends on UPI (higher yields) (3) Larger theme of credit-based transactions which is currently less than 10% of GMV vs. ~50% globally. Its revenue is set to compound at 20%+ CAGR which coupled with operating leverage at scale can deliver 8-10x EPS growth in the next 4-5 years as high margin products mix (MDR on UPI-P2M, Rupay cards GMV) improves. High cash generation also strengthens its balance sheet.

TVS Motor Company Ltd is a play on India's premiumising two-wheeler market, a fast-scaling export franchise and EV leadership, all in one business. Q1 FY27 was its best quarter ever with standalone revenue growing 38% YoY to Rs 13,896 crore and PAT rising 51% to Rs 1,174 crore. That was on volumes up 28% to 1.63 million units, with international sales up 33% to 0.47 million units. Further, growth is not coming at the cost of margins. EV volumes rose 86% and commodity costs climbed sharply, yet EBITDA margin still expanded 30 bps to 12.8%. This suggests EVs are no longer a meaningful drag on profitability, with the company having crossed one million EV customers. Upside from here comes from exports to 90+ countries and from the losses at international subsidiaries narrowing; today those losses keep consolidated PAT below standalone, through Norton, TVS eBike and associates. This makes TVS a compounder with multiple growth engines and an earnings-upgrade cycle underway.

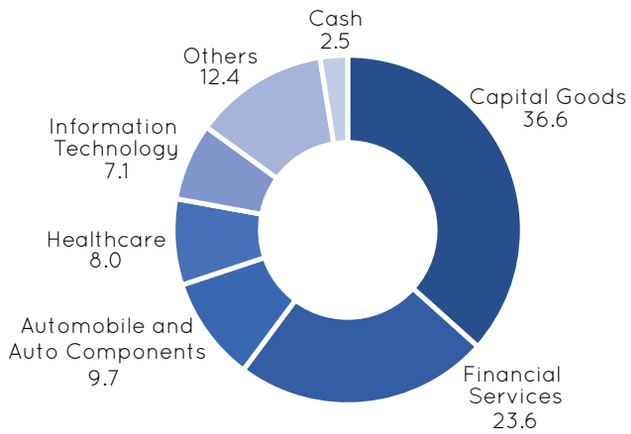
No exit during the month.

Peer performance is available under the following link of Association of Portfolio Managers in India (APMI):
https://www.apmiindia.org/apmi/welcomeiaperformance.htm?action=PMSmenu

SECTOR BETS (%) – UNDERWEIGHT / OVERWEIGHT VS BENCHMARK



Sector Allocation (%)

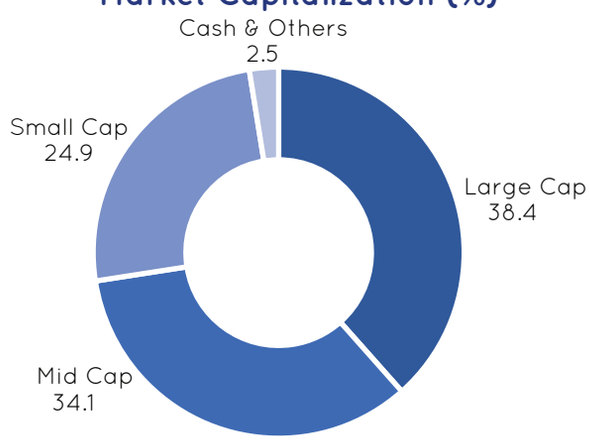


Note: Numbers may not add up due to rounding

Weighted Average Market Cap (₹)

1,38,988 Cr.

Market Capitalization (%)

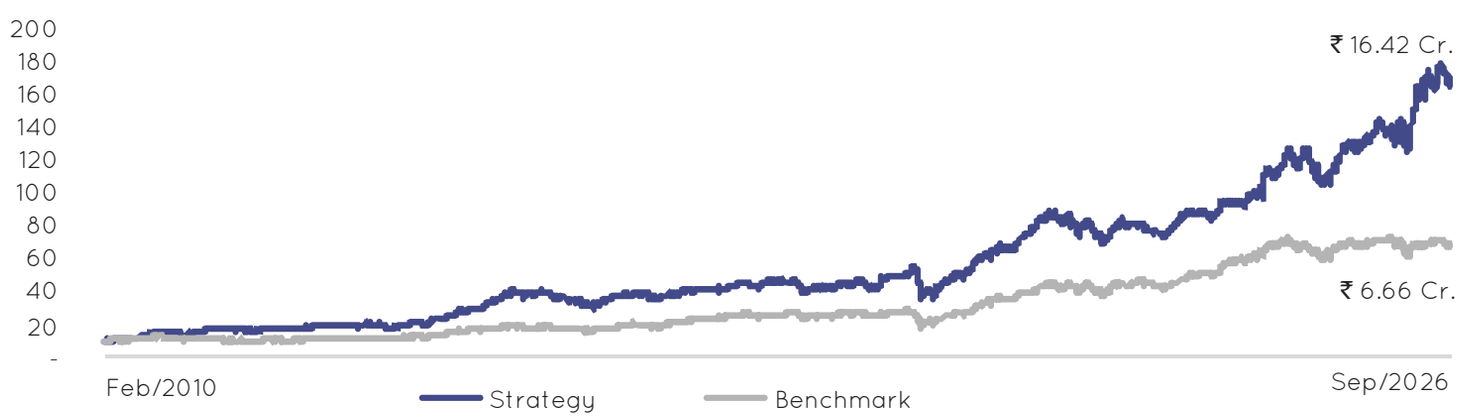


Note: Numbers may not add up due to rounding

Key Contributors

Symbol Name	Unit Cost (₹)	Unit Price (₹)	Gain / Loss (%)
MTAR Technologies Limited	1,593	7,797	389
TD Power Systems Ltd	243	786	224
Hitachi Energy India Limited	12,592	30630	143

Value of ₹ 1 Crore Invested at Launch



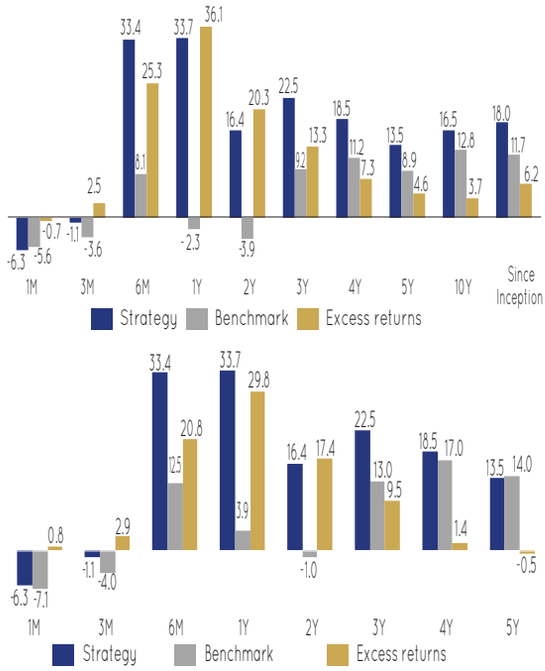
Peer performance is available under the following link of Association of Portfolio Managers in India (APMI):
https://www.apmiindia.org/apmi/welcomeiaperformance.htm?action=PMSmenu

Objective: To seek long-term capital appreciation with investments predominantly in mid and small cap companies..

Key Features

- Bet on Sundaram's strength in the mid & small cap space; a differentiated yet concentrated portfolio positioned attractively along the cap curve.
- Multi-sector portfolio.
- Stocks with market cap less than 800 billion.
- **"EASE"** portfolio
  - i. **E**merging leaders – clean and high quality promoters / management.
  - ii. **A**sset light & High ROCE businesses are preferred.
  - iii. **S**calable companies: mid cap to large cap, small cap to mid cap transitioning companies.
  - iv. **E**xcellent cash conversion from operations.
- Identify stocks that are in early stages of their business cycle and could emerge as tomorrow's large caps.
- Wealth Multiplier Themes
- Financialisation of the economy
- Phygital Bluechips
- Consumption Czars
- Export Voyagers
- Manufacturing Maestro

SELF vs S&P BSE 500 TRI (%)



Note: Numbers may not add up due to rounding

Investment Horizon	Benchmark	Secondary Benchmark	Inception	Fund Manager
Above 3 years	S&P BSE 500 TRI	Nifty Midcap 150	June 2010	Mr. Darshan Engineer

Portfolio & Stock performance

Top performers in the portfolio are **MTAR & TD Power**, up ~ 11.4% & ~ 6.0% respectively. **MTAR** continued its strong momentum supported by a robust Q1FY27 performance and a record order book. Strong execution across clean energy and civil nuclear businesses, along with a sizeable reactor refurbishment order, reinforces revenue visibility. In the last few months, the various opportunities have received further boost through continuous order inflows and record order book for its clients as well. Timely capacity expansion and improving operating leverage provide a strong foundation for sustained growth and earnings momentum. **TD Power** saw strong operational momentum, driven by robust order execution across its core AC generator and electric motor business. Its latest quarterly performance reflected sharp top-line growth and healthy margin resilience, backed by accelerating global demand. High export order inflows and upgrade in guidance for the next few years continue to strengthen earnings visibility, supported by rising adoption in industrial power generation, renewable infrastructure, and data center energy requirements. In addition, it also signed a new long-term agreement to supply 100+ MW to Siemens Energy. Supported by operating leverage and a virtually debt-free balance sheet, the company remains well-positioned for sustained medium-term growth.

Draggers to portfolios were **PB Fintech Ltd & KEI Industries Ltd** down ~43.3% & 15.7% respectively. **PB Fintech Ltd** performance was impacted by heightened regulatory uncertainty around proposed changes to insurance distribution commissions, triggering significant de-rating in the stock. The underlying business model faces existential questions which will require significant rejig from the management to pivot to new sources of revenue, cut down heavily on operational costs, which will delay its original profit growth profile by 2-3 years. The sharp correction prevented us from exiting the position and at current prices, valuations are back to levels when we first started adding this name. We wait for the final regulations to come before taking a call on whether to exit completely. If the final regulations are significantly diluted from the initial draft, the stock can see a sharp bounce. In the meantime, we have stopped buying it for new clients as a part of our risk management measures. **KEI Industries** saw a price correction in September, despite strong underlying business momentum and a strong Q1FY27 performance. The stock experienced near-term weakness and a slight de-rating in its valuation multiples, amid market worries about Ultratech entering the industry with its own capacity. We partially trimmed our position and booked profits as a risk-management exercise. However, long term outlook remains strong and we expect that it will continue to do well over the long-term.

Entry :

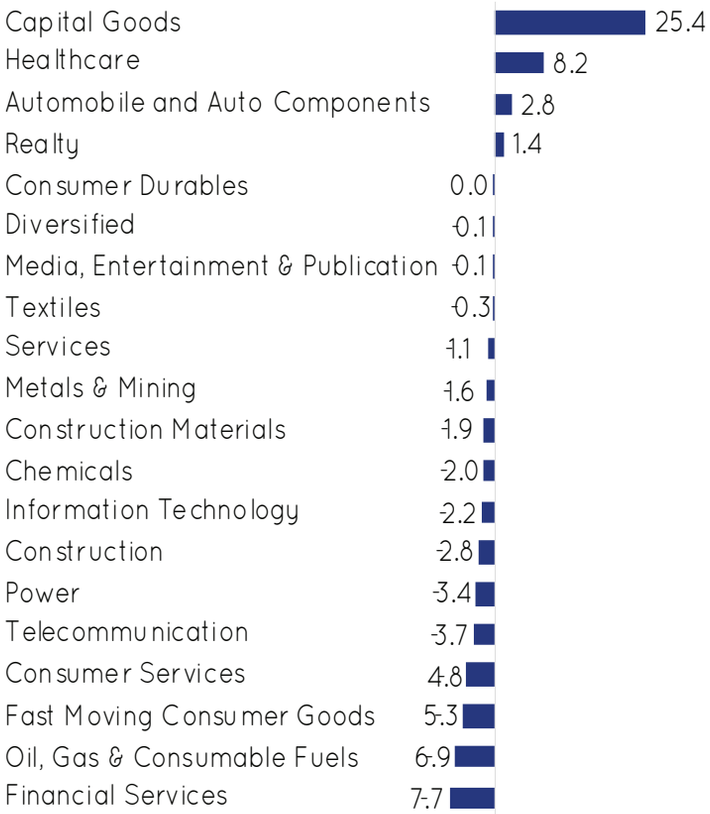
Shadowfax Technologies Ltd is a pure play on India's e-commerce and quick-commerce delivery boom. It is an asset-light, tech-led 3PL serving ecommerce marketplaces, D2C brands and quick commerce players across express parcels and hyperlocal delivery. Growth has been exceptional, with 5 consecutive quarters of 60%+ YoY revenue growth. In Q1 FY27, revenue was Rs 1,358 crore, up 65% YoY; express grew 87% to Rs 997 crore and hyperlocal grew 53% to Rs 272 crore. Operating leverage is now showing up clearly. FY26 revenue rose 69% to Rs 4,202 crore while profit jumped to Rs 112 crore from Rs 6 crore. Net margins have moved from -17.8% in FY22 to 3.6% on a TTM basis. Margins are still thin, so every incremental point of efficiency from hub automation, route density and Tier-2 expansion ('Flash' delivery was extended to 50 more tier-2 cities) can drive outsized earnings growth. The stock has re-rated sharply from its listing at Rs 112-113, below the Rs 124 IPO price, but it remains early in a multi-year earnings compounding curve, as volumes on India's value e-commerce platforms keep growing.

Exit :

Indusind Bank Ltd generated ~ 75-80% of its PBT in 2026 from insurance commissions. Due to proposed insurance commission regulations, its profitability will be further delayed. Further, with a rate hike cycle beginning from Oct 2026, its turnaround path is even more challenged and delayed. With better ideas available, we decided to exit from the position.

Peer performance is available under the following link of Association of Portfolio Managers in India (APMI): https://www.apmiindia.org/apmi/welcomeiaperformance.htm?action=PMSmenu

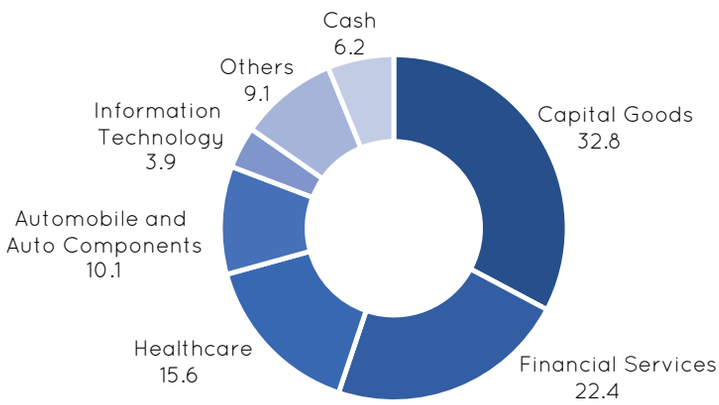
SECTOR BETS (%) – UNDERWEIGHT / OVERWEIGHT VS BENCHMARK



Weighted Average Market Cap (₹)

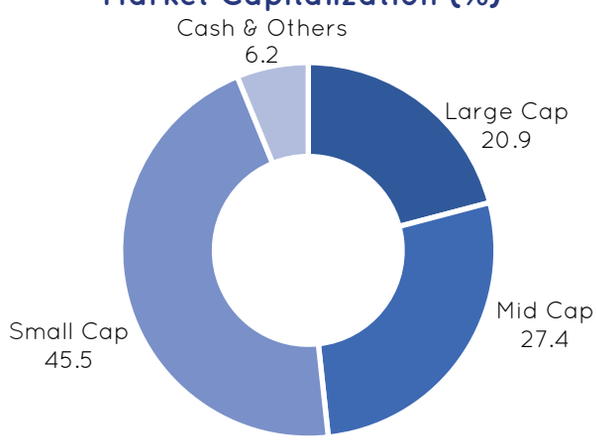
₹ 63,658 Cr.

Sector Allocation (%)



Note: Numbers may not add up due to rounding

Market Capitalization (%)

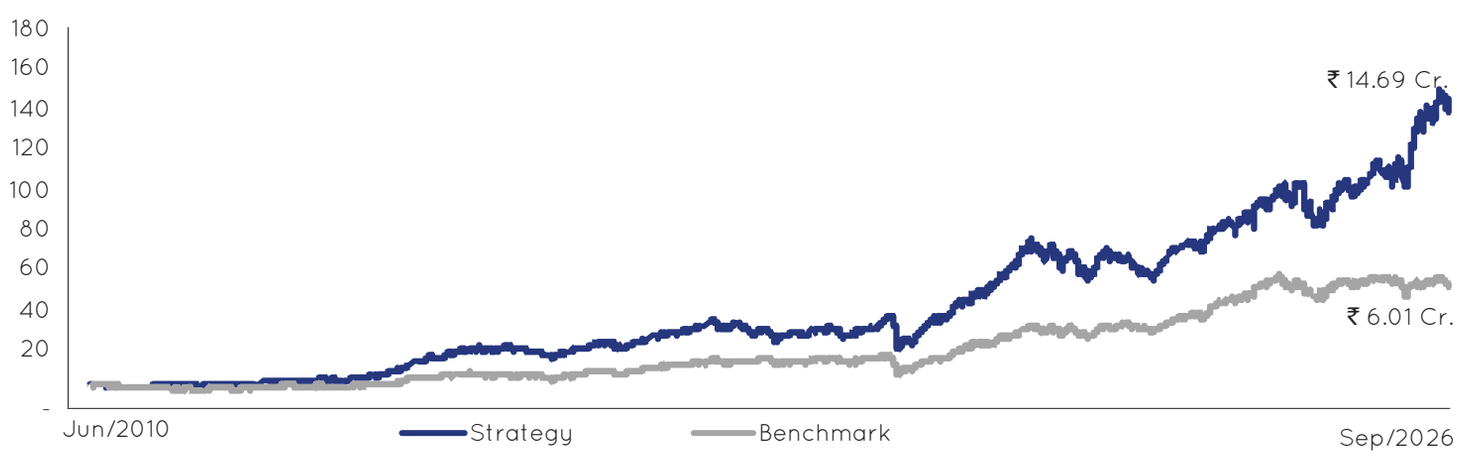


Note: Numbers may not add up due to rounding

Key Contributors

Symbol Name	Unit Cost (₹)	Unit Price (₹)	Gain / Loss (%)
TD POWER SYSTEMS LTD	165	786	375
Mtar Technologies Limited	1,745	7,797	347
Hitachi Energy India Limited	9,727	30,630	215

Value of ₹ 1 Crore Invested at Launch



Peer performance is available under the following link of Association of Portfolio Managers in India (APMI):
https://www.apmiindia.org/apmi/welcomeiaperformance.htm?action=PMSmenu

Objective: To seek long-term capital appreciation by investing in stocks across the cap curve

Key Features

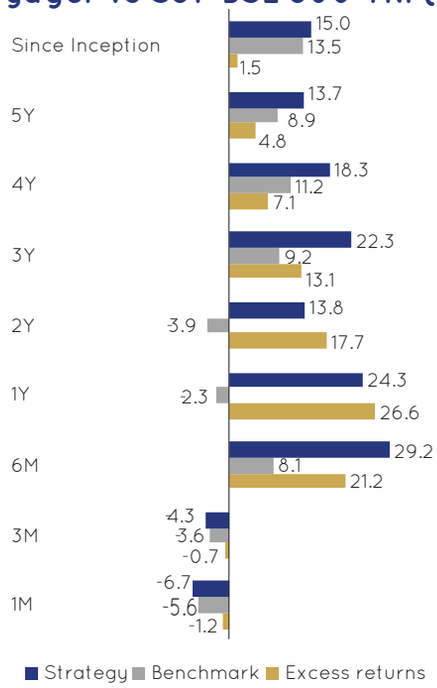
- Flexible cap curve allocation
- Diversified target portfolio with 20-25 stocks
- Two Buckets of Stocks

1. Structural Stories
2. Cyclical & turnaround opportunities

Wealth Multiplier Themes

1. Financialisation of the economy
2. Consumption Czars
3. Phygital Bluechips
4. Export Voyagers
5. Manufacturing Maestro

Voyager vs S&P BSE 500 TRI (%)



Note: Numbers may not add up due to rounding

Investment Horizon	Benchmark	Inception	Fund Manager
Above 3 years	S&P BSE 500 TRI	November 2016	Mr. Darshan Engineer

Portfolio & Stock performance

Top performers in the portfolio are **MTAR & Indian Hotels Co Ltd,** up ~ 11.4 % & ~ 1.7 % respectively. **MTAR** continued its strong momentum supported by a robust Q1FY27 performance and a record order book. Strong execution across clean energy and civil nuclear businesses, along with a sizeable reactor refurbishment order, reinforces revenue visibility. In the last few months, the various opportunities have received further boost through continuous order inflows and record order book for its clients as well. Timely capacity expansion and improving operating leverage provide a strong foundation for sustained growth and earnings momentum. **Indian Hotels Co Ltd** continued to demonstrate strong operating momentum, supported by healthy domestic hospitality demand and sustained expansion across its brand portfolio. Q1FY27 revenue and EBITDA grew strongly YoY, while profitability remained robust. The company's expanding pipeline, led by Taj, Ginger and other growth brands, provides meaningful visibility for medium-term room additions and revenue growth. Its asset-light expansion model, strong balance sheet and improving presence across leisure, business and emerging markets support operating leverage. We expect sustained execution and demand trends to support earnings momentum and portfolio performance.

Draggers to portfolios were **Cholamandalam & KEI Industries,** down ~ 11.0 % & ~ 15.6 % respectively. **Cholamandalam** remained operationally strong, supported by healthy disbursement growth, expanding AUM and robust profitability in Q1FY27. Profit growth was driven by operating leverage and controlled credit costs, while the company continues to gain traction across vehicle finance, housing and other retail segments. However, asset-quality metrics and growth may see some moderation, particularly in vehicle finance and LAP, as El-Nino risks emerge and interest rate hikes begin. In addition, insurance commission draft regulations also impact its fees growth impacting its profitability marginally. We remain positive on the continued branch expansion, improving productivity and a diversified lending mix, and expect earnings momentum to remain. **KEI Industries** saw a price correction in September, despite strong underlying business momentum and a strong Q1FY27 performance. The stock experienced near-term weakness and a slight de-rating in its valuation multiples, amid market worries about Ultratech entering the industry with its own capacity. We partially trimmed our position and booked profits as a risk-management exercise. However, long term outlook remains strong and we expect that it will continue to do well over the long-term.

Entry :

Arvind Fashions Ltd is India's No.1 casual and denim player, with a portfolio of power brands including U.S. Polo Association (USPA), Tommy Hilfiger, Calvin Klein, Arrow and Flying Machine. It is a play on premiumisation in branded apparel and a structural shift to a higher-margin direct-to-consumer (D2C) model. The pivot is working as D2C channels now contribute 62% of sales, and online B2C grew 38%. In Q1 FY27, revenue grew 15.5% YoY to Rs 1,279 crore, gross margin expanded 90 bps to 56.7%, and EBITDA grew 19.6% to Rs 160 crore, with margin up 44 bps to 12.5%. This came alongside all-time-high inventory freshness, with net working capital stable at 65 days. Management aims to sustain 12–15% revenue growth in FY27 with 30–40 bps of margin expansion from operating leverage. Combined with lower finance costs as working capital stays tight, this sets up a mid-to-high-20s EBITDA and faster PAT compounding story.

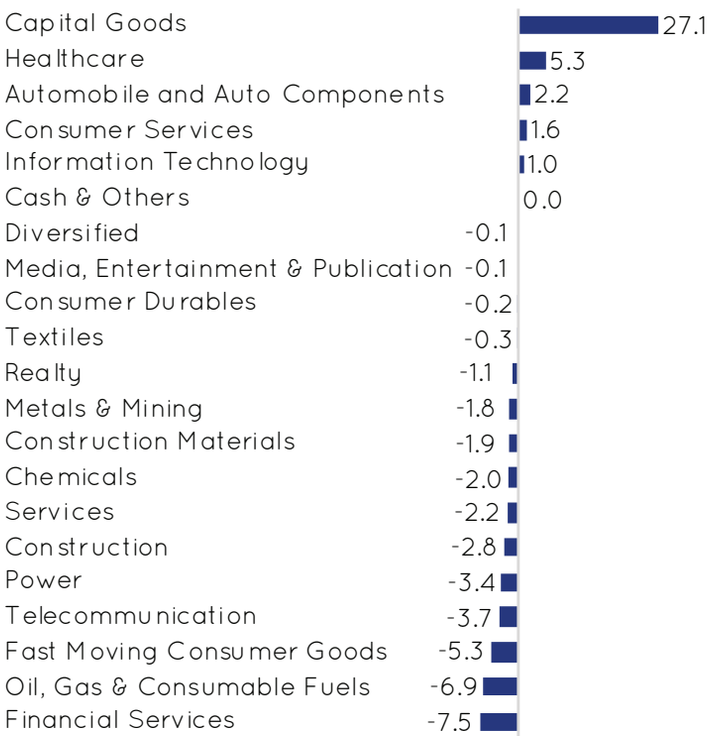
Healthcare Global Enterprises (HCG) is India's largest specialised oncology chain. It is a focused play on rising cancer incidence and the shift toward high-complexity, technology-led cancer care, and is now under KKR's majority ownership, which brings sharper capital allocation. The portfolio clean-up is done, including the sale of the non-core Milann fertility business in June 2026, and the story is now about execution. In Q1 FY27, revenue grew 13% to Rs 6,951 million, driven by 11% patient volume growth and 2% ARPOB growth, while adjusted EBITDA rose 20% with margins at 19.4%. This came even after absorbing Rs 70 million of losses from the newly launched North Bangalore hospital. Payor mix is improving too, with non-institutional revenue up 17% and its share rising from 67% to 69%. The capacity pipeline adds ~ 800-900 beds till FY30, mostly brownfield, against a base of 2,855 operational beds. With management guiding mid-teens revenue growth and PAT margins still only 2.0%, the earnings see strong non-linear growth on the back of operating leverage, as new centres mature and depreciation is absorbed.

Exit :

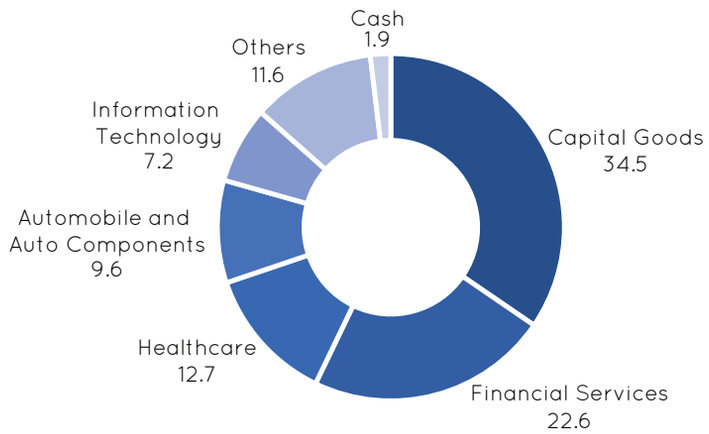
Indusind Bank Ltd generated ~ 75-80% of its PBT in 2026 from insurance commissions. Due to proposed insurance commission regulations, its profitability will be further delayed. Further, with a rate hike cycle beginning from Oct 2026, its turnaround path is even more challenged and delayed. With better ideas available, we decided to exit from the position.

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SECTOR BETS (%) – UNDERWEIGHT / OVERWEIGHT VS BENCHMARK

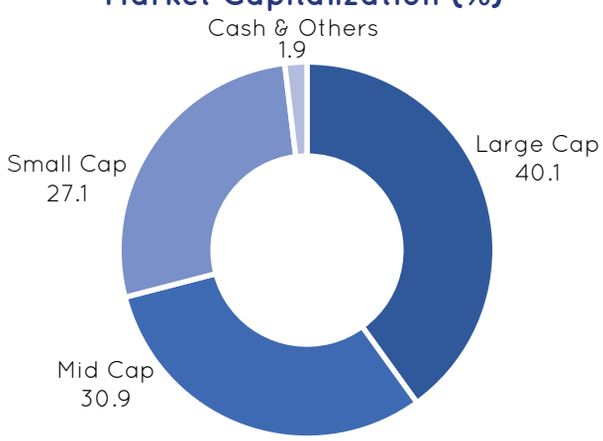


Sector Allocation (%)



Note: Numbers may not add up due to rounding

Market Capitalization (%)



Note: Numbers may not add up due to rounding

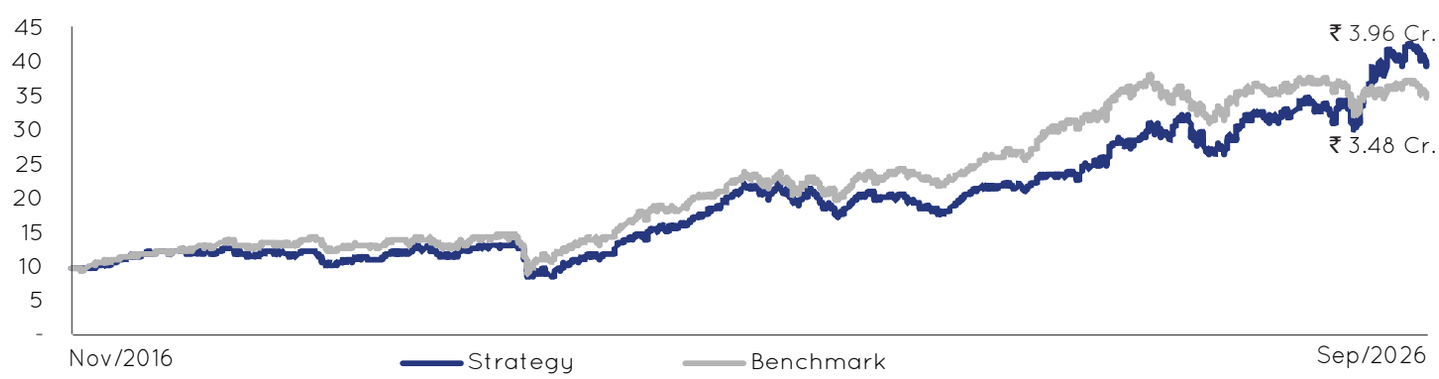
Weighted Average Market Cap (₹)

₹ 1,50,187 Cr.

Key Contributors

Symbol Name	Unit Cost (₹)	Unit Price (₹)	Gain / Loss (%)
MTAR Technologies Limited	1,442	7,797	441
Hitachi Energy India Limited	12,416	30,630	147
GE Vernova T&D India Limited	2,079	4,201	102

Value of ₹ 1 Crore Invested at Launch



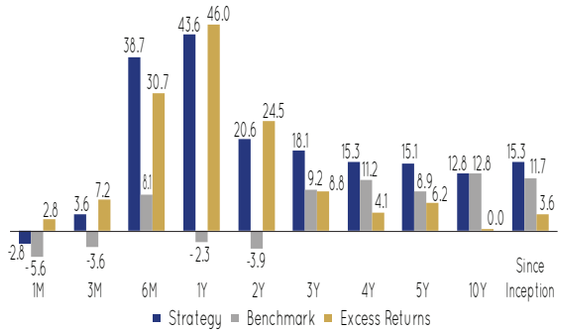
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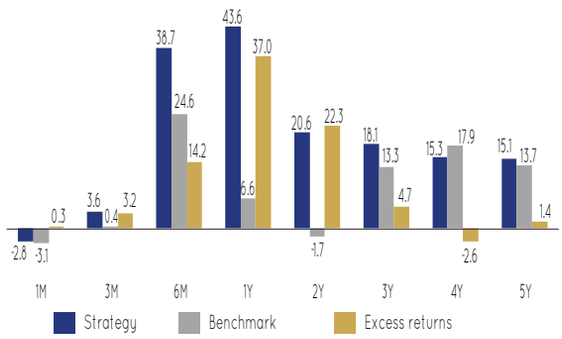
Objective: To seek long term capital appreciation by investing in companies that can be termed as smallcaps.

Target Investors

Ideal for long-term investors seeking returns through investments predominantly in small-cap stocks and are comfortable with short-term volatility.

Rising Stars Vs S&P BSE 500 TRI (%)





Note: Numbers may not add up due to rounding

Investment Horizon	Benchmark	Secondary Benchmark	Inception	Fund Manager
Above 5 years	S&P BSE 500 TRI	Nifty Smallcap 250	November 2009	Mr. Darshan Engineer

Portfolio & Stock performance

Top performers in the portfolio are **MTAR & TD Power Systems Ltd**, up ~11.4% & ~6.0% respectively. **MTAR** continued its strong momentum supported by a robust Q1FY27 performance and a record order book. Strong execution across clean energy and civil nuclear businesses, along with a sizeable reactor refurbishment order, reinforces revenue visibility. In the last few months, the various opportunities have received further boost through continuous order inflows and record order book for its clients as well. Timely capacity expansion and improving operating leverage provide a strong foundation for sustained growth and earnings momentum. **TD Power** saw strong operational momentum, driven by robust order execution across its core AC generator and electric motor business. Its latest quarterly performance reflected sharp top-line growth and healthy margin resilience, backed by accelerating global demand. High export order inflows and upgrade in guidance for the next few years continue to strengthen earnings visibility, supported by rising adoption in industrial power generation, renewable infrastructure, and data center energy requirements. In addition, it also signed a new long-term agreement to supply 100+ MW to Siemens Energy. Supported by operating leverage and a virtually debt-free balance sheet, the company remains well-positioned for sustained medium-term growth.

Draggers to portfolios were **Gravita India Ltd & Dynamic Cables Ltd**, down ~20.1% & ~20.0% respectively. **Gravita India Ltd** saw a sharp correction from earlier highs, reflecting investor concerns due to challenges to sourcing of raw material scrap despite a decent Q1FY27 results and delays seen in new expansion projects approvals. The underlying business continued to deliver healthy growth, with Q1 revenue rising strongly and net profit registering double-digit YoY growth. The company's diversified recycling platform, expanding global footprint and continued capacity additions provide structural growth visibility. While near-term sentiment remains subdued, sustained earnings growth and execution across its recycling portfolio could support a gradual recovery in performance. **Dynamic Cables Ltd** despite strong underlying business momentum. Q1FY27 revenue and operating profit grew strongly YoY, supported by healthy demand from renewable energy, private utilities and export markets. The order book remained robust, providing visibility for near-term execution, while capacity expansion and the company's entry into the US market offer additional growth avenues. However, the stock witnessed heightened volatility during September amid exchange queries on price movement and senior-management changes. We continue to monitor execution, order conversion and operating leverage closely.

Entry:

Concord Biotech Limited is a niche play on fermentation-based APIs, a high-entry-barrier space in which few global players have scale. It holds leadership positions in key molecules across immunosuppressants, anti-infectives, oncology and antifungals. It is now forward-integrating into formulations and injectables, which carry higher margins. It is also building a direct US front end through Stellon Biotech, which began commercial sales in Q1, and it secured USFDA approval for Tofacitinib Tablets, an estimated $500 million US market. After a weak FY26, growth has bounced back strongly. Q1 FY27 revenue grew 26% to Rs 257 crore, export revenue surged 46%, and EBITDA rose 34% with margin expanding 190 bps to 32.0% on a 78.9% gross margin. Revenue growth is already running ahead of management's FY27 aspiration of >18% growth. As injectables and Stellon scale over FY27–28, operating leverage and a richer mix should drive EPS compounding of 25%+. The current drag from subsidiaries, Rs 2.67 crore in Q1, should turn into a contributor over the same period.

IndiQube Spaces Limited is a play on India's GCC-led office demand boom and the structural shift of enterprises toward outsourced, managed workspaces. Its platform spans 10.61 msf across 137 centres in 17 cities, with 86% occupancy. The client base is high-quality and sticky where GCCs contribute 53% of revenue, and nearly 90% of occupants come from clients taking more than 100 seats. It is also building a "total outsourcing" model, and value-added services (design-and-build, facilities management, sustainability) have scaled from 11% to 17% of revenue. In Q1 FY27, revenue grew 37% to a record Rs 428 crore, EBIT margin improved to 13% from 11%, and IGAAP-equivalent PAT rose 91% to Rs 35 crore. Visibility is strong, with about 3.9 msf / 97,000 signed seats converting to operations over 12-16 months, which supports 25-30% revenue and EBIDTA CAGR over FY27–29E.

Shadowfax Technologies Ltd is a pure play on India's e-commerce and quick-commerce delivery boom. It is an asset-light, tech-led 3PL serving ecommerce marketplaces, D2C brands and quick commerce players across express parcels and hyperlocal delivery. Growth has been exceptional, with 5 consecutive quarters of 60%+ YoY revenue growth. In Q1 FY27, revenue was Rs 1,358 crore, up 65% YoY; express grew 87% to Rs 997 crore and hyperlocal grew 53% to Rs 272 crore. Operating leverage is now showing up clearly. FY26 revenue rose 69% to Rs 4,202 crore while profit jumped to Rs 112 crore from Rs 6 crore. Net margins have moved from -17.8% in FY22 to 3.6% on a TTM basis. Margins are still thin, so every incremental point of efficiency from hub automation, route density and Tier-2 expansion ('Flash' delivery was extended to 50 more tier-2 cities) can drive outsized earnings growth. The stock has re-rated sharply from its listing at Rs 112–113, below the Rs 124 IPO price, but it remains early in a multi-year earnings compounding curve, as volumes on India's value e-commerce platforms keep growing.

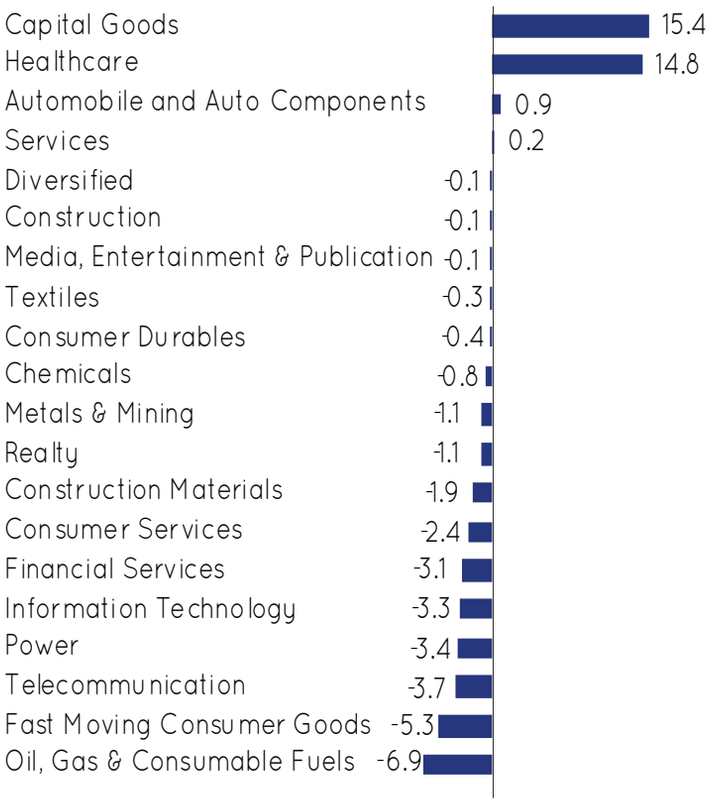
Vishnu Chemicals Limited is a play on import substitution and global supply-chain diversification in specialty inorganic chemicals. It holds dominant domestic positions, with ~ 50% of India's chromium chemicals market and close to 40% of barium carbonate. These products serve steel, glass, pharma, pigments and leather. In Q1 FY27, revenue grew 24.9% to Rs 433 crore and PAT rose 23% to Rs 39.6 crore, despite a planned maintenance shutdown at Vizag. Overseas sales surged 52%, taking exports to 55% of revenue. The next leg of growth is well defined. The South African chrome ore mine is expected to contribute from H2 FY27, giving backward integration that should lift competitiveness and gross margins. Further capacity is coming in specialty chemicals, barium backward integration and new products such as strontium carbonate. About 20 MW of solar capacity should also cut power costs. With a five-year average ROE of about 21% and ROCE of about 19%, Vishnu offers a high-return, integrated compounder at a modest scale.

Exit:

Birla Corporation thesis rested on cost-led margin expansion – the Mukutban ramp-up, captive coal and a higher green-power mix would close the EBITDA/tonne gap with peers. That has seen persistent delays and hasn't played out. The company runs at 98% utilisation and grew Q1 FY27 cement volumes 5% to 5.05 mt, yet EBITDA fell 3.6% and EBITDA/tonne dropped to Rs 675. The drivers were fuel and packaging inflation, and April-May price hikes being rolled back in June amid intense market-share competition. Management expects a further cost increase of Rs 70–80/tonne in Q2 and has declined to give FY27 EBITDA/tonne guidance. With capacity maxed out until the FY29 expansion, there is little operating leverage left. Estimates now point to only ~ 5%/4%/3% revenue/EBITDA/PAT CAGR over FY26–28E, while capex steps up from FY28. With the earnings recovery pushed out and better ideas available in the sector and elsewhere, we decided to exit the position.

Peer performance is available under the following link of Association of Portfolio Managers in India (APMI):
https://www.apmiindia.org/apmi/welcomeiaperformance.htm?action=PMSmenu

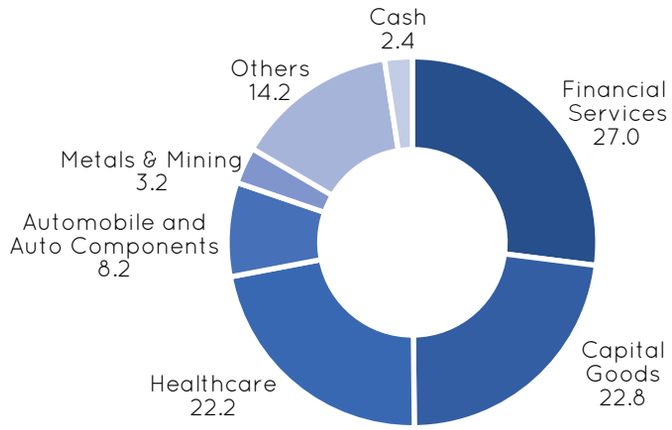
SECTOR BETS (%) – UNDERWEIGHT / OVERWEIGHT VS BENCHMARK



Weighted Average Market Cap (₹)

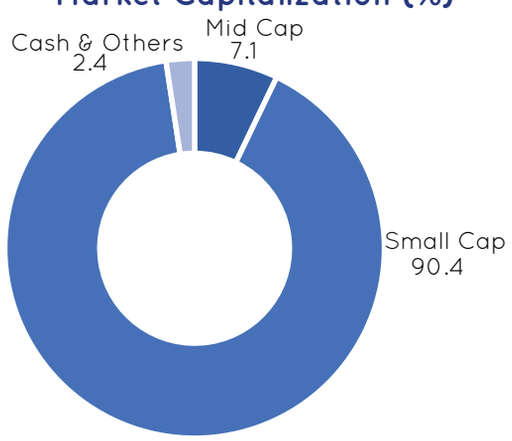
₹ 18,960 Cr.

Sector Allocation (%)



Note: Numbers may not add up due to rounding

Market Capitalization (%)

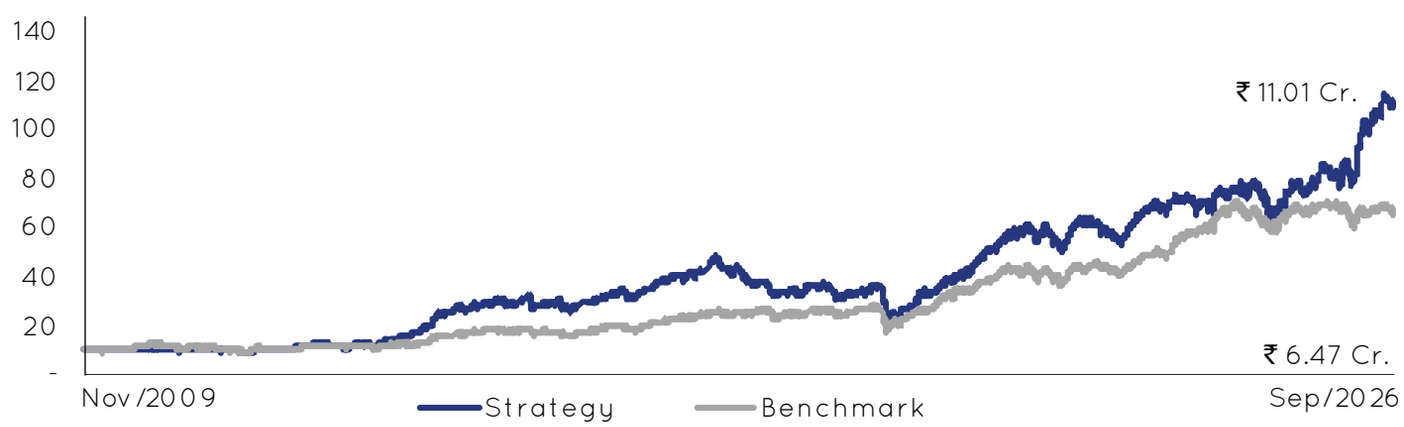


Note: Numbers may not add up due to rounding

Key Contributors

Symbol Name	Unit Cost (₹)	Unit Price (₹)	Gain / Loss (%)
MTAR Technologies Limited	1,600	7,797	387
Acutaas Chemicals Limited	887	3,279	270
TD Power Systems Ltd	220	786	258

Value of ₹ 1 Crore Invested at Launch



Peer performance is available under the following link of Association of Portfolio Managers in India (APMI):
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SISOP

Year	Strategy	Benchmark	Excess Returns
2010	58.3	24.9	33.4
2011	1.5	-26.4	27.9
2012	25.4	33.4	-8.0
2013	6.0	4.9	1.1
2014	66.1	38.9	27.2
2015	-2.0	0.4	-2.4
2016	4.2	5.2	-1.0
2017	24.0	37.6	-13.6
2018	-4.3	-1.8	-2.4
2019	15.4	9.0	6.5
2020	25.2	18.4	6.8
2021	36.2	31.6	4.6
2022	-6.9	4.8	-11.6
2023	19.6	26.5	-6.9
2024	31.4	15.8	15.6
2025	10.9	7.6	3.2
2026 YTD	19.2	-7.0	26.2

Source: Inhouse computation
Calendar Year Performance Since Inception February 2010

SELF

Year	Strategy	Benchmark	Excess Returns
2010	9.2	13.9	-4.7
2011	-2.9	-26.4	23.6
2012	28.7	33.4	-4.7
2013	18.3	4.9	13.4
2014	69.9	38.9	31.0
2015	3.4	0.4	3.0
2016	6.1	5.2	1.0
2017	41.8	37.6	4.2
2018	-11.6	-1.8	-9.8
2019	6.5	9.0	-2.4
2020	31.4	18.4	13.0
2021	46.3	31.6	14.7
2022	-6.8	4.8	-11.6
2023	22.8	26.5	-3.7
2024	23.2	15.8	7.3
2025	6.8	7.6	-0.8
2026 YTD	26.0	-7.0	33.0

Source: Inhouse computation
Calendar Year Performance Since Inception June 2010

Voyager

Year	Strategy	Benchmark	Excess Returns
2016	-0.9	-1.4	0.5
2017	26.1	37.6	-11.5
2018	-8.4	-1.8	-6.6
2019	15.2	9.0	6.3
2020	10.3	18.4	-8.1
2021	44.4	31.6	12.8
2022	-5.6	4.8	-10.3
2023	18.4	26.5	-8.1
2024	33.9	15.8	18.1
2025	5.9	7.6	-1.8
2026 YTD	18.8	-7.0	25.8

Source: Inhouse computation
Calendar Year Performance since November 2016

Rising Stars

Year	Strategy	Benchmark	Excess Returns
2009	-0.4	2.6	-3.1
2010	3.6	17.9	-14.3
2011	-14.7	-26.4	11.8
2012	41.6	33.4	8.2
2013	28.6	4.9	23.7
2014	75.8	38.9	36.9
2015	7.5	0.4	7.1
2016	3.9	5.2	-1.2
2017	48.6	37.6	11.0
2018	-26.9	-1.8	-25.1
2019	-1.3	9.0	-10.3
2020	13.6	18.4	-4.8
2021	54.7	31.6	23.1
2022	-0.2	4.8	-5.0
2023	19.5	26.5	-7.1
2024	7.9	15.8	-7.9
2025	6.2	7.6	-1.5
2026 YTD	35.7	-7.0	42.7

Source: Inhouse computation
Calendar Year Performance Since Inception November 2009

SISOP

Titan Industries Limited	Large Cap
Cholamandalam Invest. & Fin. Co. Ltd.	Large Cap
Bharat Heavy Electricals Ltd	Large Cap
Ge Vernova T&D India Limited	Mid Cap
Coforge Limited Ltd	Mid Cap
Indian Hotels Company Limited	Mid Cap
Mtar Technologies Limited	Small Cap
Td Power Systems Ltd	Small Cap
Neuland Laboratories Ltd	Small Cap

SELF

Bharat Heavy Electricals Ltd	Large Cap
Cholamandalam Invest. & Fin. Co. Ltd.	Large Cap
Samvardhana Motherson International Limited	Large Cap
Coforge Limited Ltd	Mid Cap
Motilal Oswal Financial Services Ltd	Mid Cap
Aster DM Healthcare Ltd	Mid Cap
TD Power Systems Ltd	Small Cap
Mtar Technologies Limited	Small Cap
Acutaas Chemicals Limited	Small Cap

Voyager

Bharat Heavy Electricals Ltd	Large Cap
Cholamandalam Invest. & Fin. Co. Ltd.	Large Cap
Mahindra & Mahindra Ltd	Large Cap
Ge Vernova T&D India Limited	Mid Cap
Coforge Limited Ltd	Mid Cap
Motilal Oswal Financial Services Ltd	Mid Cap
Mtar Technologies Limited	Small Cap
Neuland Laboratories Ltd	Small Cap
Creditaccess Grameen Limited Eq	Small Cap

Rising Stars

Aster DM Healthcare Ltd	Mid Cap
KEI Industries Limited	Mid Cap
TD Power Systems Ltd	Small Cap
MTAR Technologies Limited	Small Cap
Acutaas Chemicals Limited	Small Cap

Performance Measures – Since Inception

SISOP

	Strategy	Benchmark
Arithmetic Mean	18.2	12.7
Annualised Standard Deviation	16.2	15.9
Beta	0.8	-
Sharpe Ratio	0.7	0.4
Correlation	0.8	-
Alpha	6.5	-
Tracking Error	9.8	-
Up capture Ratio	104.3	-
Down capture Ratio	75.1	-

SELF

	Strategy	Benchmark
Arithmetic Mean	17.7	12.4
Annualised Standard Deviation	15.6	15.9
Beta	0.8	-
Sharpe Ratio	0.7	0.3
Correlation	0.8	-
Alpha	6.5	-
Tracking Error	9.6	-
Up capture Ratio	106.2	-
Down capture Ratio	78.1	-

Voyager

	Strategy	Benchmark
Arithmetic Mean	15.4	14.0
Annualised Standard Deviation	16.9	16.0
Beta	0.9	-
Sharpe Ratio	0.5	0.4
Correlation	0.9	-
Alpha	1.9	-
Tracking Error	8.0	-
Up capture Ratio	110.0	-
Down capture Ratio	109.7	-

Rising Stars

	Strategy	Benchmark
Arithmetic Mean	15.5	12.3
Annualised Standard Deviation	15.8	15.9
Beta	0.7	-
Sharpe Ratio	0.5	0.3
Correlation	0.7	-
Alpha	4.7	-
Tracking Error	11.9	-
Up capture Ratio	96.3	-
Down capture Ratio	75.6	-

Peer performance is available under the following link of Association of Portfolio Managers in India (APMI):
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1 Sectoral concentration

Across all strategies, as on September 2026, we are overweight on Capital goods, especially the power sector value chain, where there is strong earnings visibility for the next 3-5 years.

Thereafter, we have an overweight stance on NBFCs where we believe there is an improvement in asset quality and earnings growth profiles in the coming years.

In addition, we are positive on auto and auto ancillaries. However, our exposure is limited right now to a few companies which have done well for us. On healthcare, we have limited exposure to a few companies.

We face risk from high concentration on a few sectors like capital goods and NBFCs.

In case of Capital Goods, valuations have run up and hence there is increased risk in terms of downside amid emerging sector headwinds such as regulations or increased competition from Chinese firms in future. Similarly, we have high exposure to NBFCs. If a new round of adverse asset quality issues emerge, there can be significant downside risk to our positions in this sector.

Our exposure to auto and healthcare is limited right now. However, they can see risks from increased competition and higher raw material prices of steel, copper, chemicals, etc. hence, they face a risk of higher RM cost which they may not be able to pass on to their customers.

2. Market cap risk

We currently are tilted more towards mid-cap and small-caps. During volatile times seen in last 2 months, small and mid-caps tend to correct more than large-caps. Hence, our portfolios are accordingly at higher risk of drawdowns compared to benchmarks which is more large-cap oriented.

3. Macro risks

INR has been under continuous pressure since the initial tariff announcement in Apr 2025 and has depreciated against the USD from 84 to 90+ now over the past 1 year. This INR weakness is now getting reflected in domestic liquidity. Already, bond yields have strengthened from 6.2% in May 2025 to 6.6% now. Aggravated by worries around fiscal deficit, this has led to a prolonged bear market in bonds which is now percolating to the equity markets as well.

FPIs have been net sellers for a while now and seen cumulative net outflows of USD 16+ bn in YTD CY25. While DIIs have held up and seen cumulative net inflows of USD 136 bn in YTD CY25. A big part of this flow is the one-way rise in SIPs which are reaching ~ USD 3.5-4 bn every month. However, as these SIPs don't see returns for 12 months and more, they also turn circumspect. Local investors spooked by liquidity stress are also in a risk-off mode.

The RBI's efforts to bring stability through liquidity enhancing measures and rate cuts are temporary solutions, as CAD and BoP pressures remain intact. India-US trade deal remains critical to the INR stability. Till that deal is not signed, the markets are likely to remain muted and volatile in the short-term.

Steps to mitigate risks

A majority of our portfolio companies' results were strong with above-consensus earnings and a positive outlook on future earnings growth in Q2FY26. Hence, we remain positive on our longer-term portfolio performance and not exiting from them, which is what our strategies are designed to do in the medium-to-long-term. In addition, even early Q3FY26 trends indicate that the portfolio holding companies continue to report strong financials.

We have been cautious when it comes to deploying incremental capital. For old clients, we have gradually exited from some positions where the investment thesis was not playing out. At the same time, we trimmed weights in some of our winning positions as a part of risk management. However, since we continue to hold a positive long-term view on them, we have not completely exited from those positions. For new clients, we have been slow in deploying capital and using such corrections to increase weights in our positions.

During the last few months, we have also deliberately avoided certain sectors that promised high growth but where valuations were too expensive.

We continue to maintain the following tenets while managing portfolios for our clients –

- Maintain our long-term positioning, as a majority of our portfolio companies continue to deliver strong earnings and supportive management commentary.
- Gradually reduce weights in select names where valuations have become elevated, to manage potential de-rating risk.
- Move out of positions whose investment thesis are not working out.
- Add new stocks to the portfolio, which meet our risk-reward criteria and offer similar medium-term earnings-led growth profile.
- Thus, we expect steady churn in our portfolios to keep the performance stable. Over time, aim is to create a resilient portfolio which is diversified in terms of sectors and market caps.
- We believe that bottom-up stock selection is the way forward. Hence, it would be appropriate to create a portfolio in a bottom-up manner identifying stocks with good risk-reward metrics and margin of safety in terms of valuations, across sectors. That said, tactically, there are emerging opportunities in small and mid-cap space, now that they have corrected meaningfully from their highs.

CUSTOMER SERVICES

Reporting Statements and Servicing: Monthly performance Statements Transactions, Holding & Corporate action reports, Annual CA certified Statement of the account & Online access"

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DISCLAIMER

Performance numbers for a period less than 1 year are absolute returns.
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SUNDARAM ALTERNATES
Sundaram Finance Group

Our strategy is amongst the Top 10 Performers*

Sundaram Rising Stars

43.65%

1 Year Fund Return

Data as on 30th Sep 2026

Against Primary Benchmark	Against Secondary Benchmark
S&P BSE 500 TRI: 2.23%	Nifty Smallcap 250: 6.63%

*Source: PMS Bazaar | October 2026

Peer performance is available on the official website of Association of Portfolio Managers in India (APMI) website. Visit www.apmiindia.org

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