"Volatility tests conviction, but it also creates opportunity for disciplined investors."

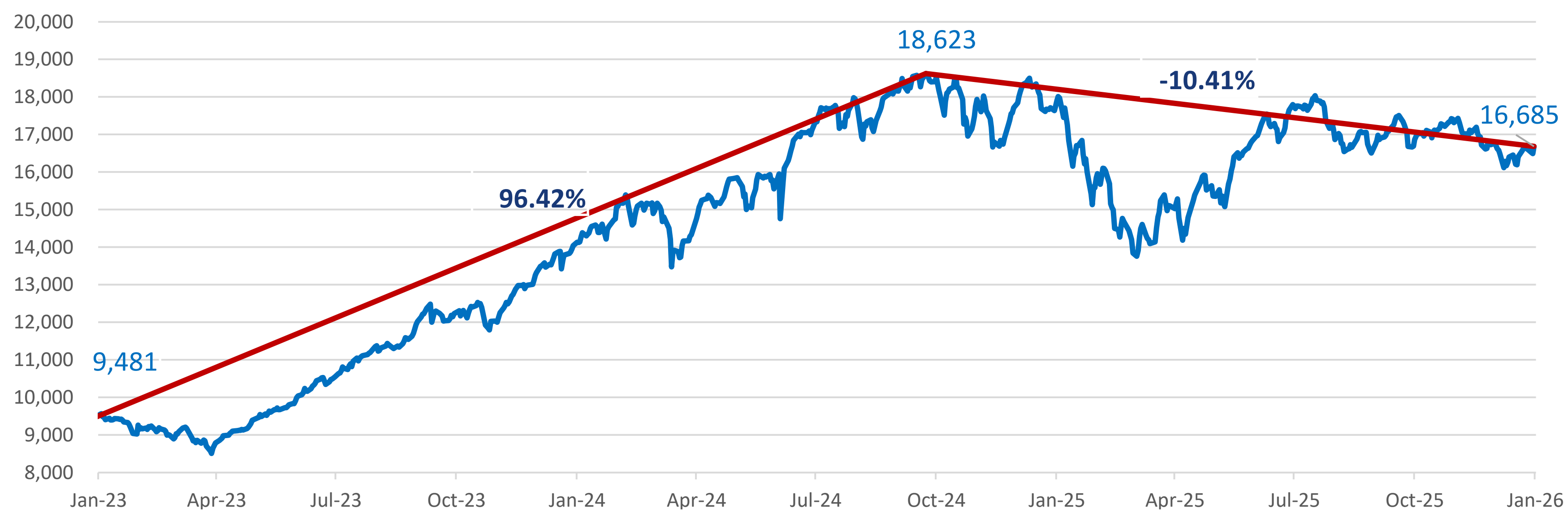
2025: Beneath the Headline Indices

2025 was not a straight-line market. Beneath the appearance of stability in headline indices, a broad-based valuation reset unfolded across the equity landscape.

At the surface, benchmark indices suggested continuity. However, this masked the intensity of challenges investors encountered in the early part of the year. Market stress was less visible in index levels and more apparent in breadth, valuation compression, and sharp drawdowns across a wide universe of stocks.

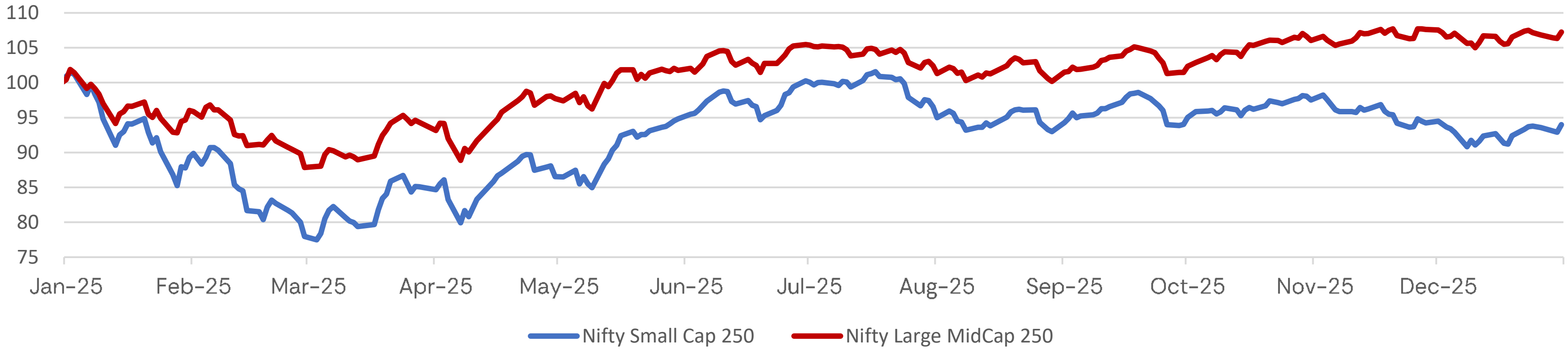
The adjustment was most pronounced in the small-cap segment. Following a prolonged phase of valuation expansion through 2023 and 2024, small caps entered a correction phase in 2025. Over both the trailing three-month and one-year periods, the small-cap index corrected meaningfully, reflecting tighter liquidity conditions, earnings normalisation, and declining tolerance for speculative premiums.

Exhibit 1 – Index Performance – Nifty Smallcap 250 (3 –Year – 31/12/2022 to 31/12/2025)[1]



Nifty Smallcap 250 – 3 Year Performance highlights the arc of the small-cap cycle over the last three years. After a strong post-pandemic rally and a sharp acceleration through 2023–24, the index entered a corrective phase in 2025. This correction was not abrupt, but persistent—signalling fatigue after an extended period of valuation expansion.

Exhibit 2: Nifty Smallcap 250 vs Nifty Largemidcap 250[1]



1 https://www.niftyindices.com/reports/historical-data

Nifty Smallcap 250 vs Nifty Largemidcap 250 sharpens this narrative through relative performance. While large and mid-cap indices showed greater resilience, small caps underperformed meaningfully, particularly over the last three months and on a one-year basis.

The correction in small caps is less about market stress and more about market discipline. It marks a transition from narrative-driven expansion to fundamentals-driven differentiation, setting the stage for healthier participation as earnings catch up with prices.

Market breadth data reinforces this trend. Within the BSE 500 universe, substantial number of stocks are trading well below their peaks, with many down in the 20%–40% or higher range, pointing to a broad market correction. One-year returns are largely negative, indicating weak medium-term performance despite some short-term rebounds.

Key to note that median return of BSE500 during CY25 was -4% compared to Nifty50 return of ~10%. Almost ~47% of the stocks fell more than 20% from the 52W high during CY25 and almost one-fourth of the BSE500 stocks fell more than 30% from peak during this period.

Exhibit 3: Market Breadth – BSE 500 Drawdowns

Fall from 52WH	No. of Stocks
> 40%	39
30% < - > 40%	76
20% < - > 30%	121
Median return of BSE 500 in CY25	-4%

2025 began as a year of recalibration, where valuations set the tone.

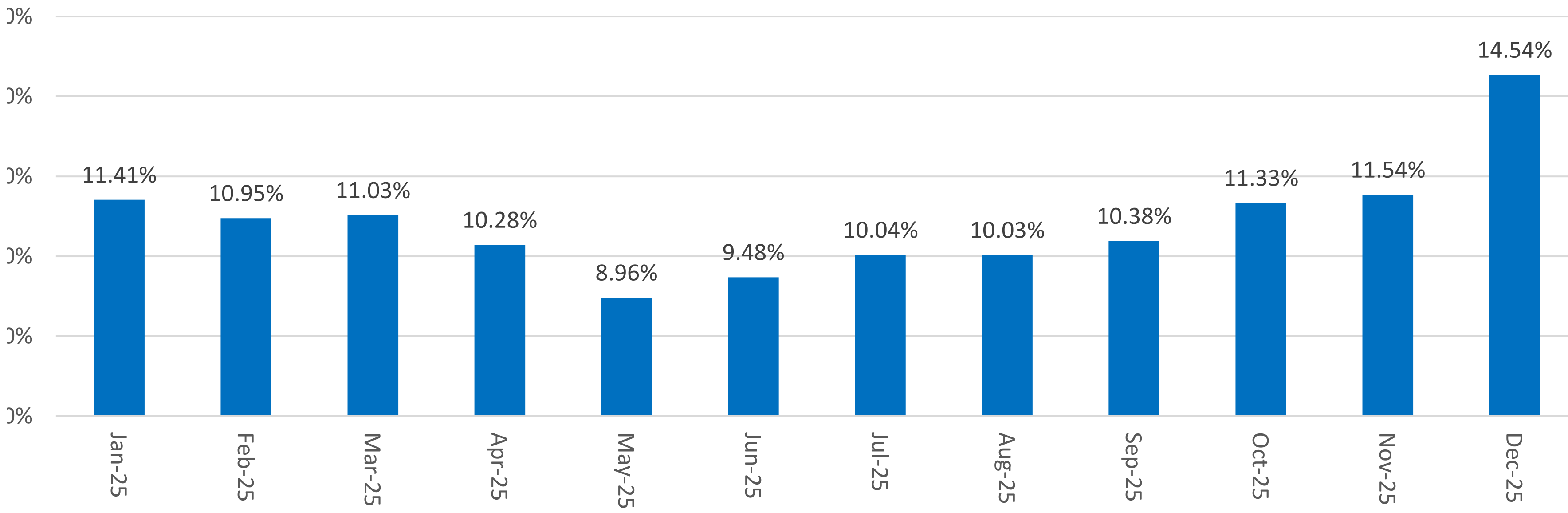
Policy Anchors, Credit Transmission, FDI Flows and Consumption Recovery

As markets adjusted, policy stability emerged as a critical anchor. Government initiatives and RBI measures through 2025 were aimed less at stimulating excess demand and more at preserving macro balance, ensuring adequate liquidity without compromising inflation control or fiscal discipline.

The impact of these measures was gradual but observable. Rather than sharp inflection points, the economy showed incremental improvement across sectors. Policy transmission worked through credit availability, consumption sentiment, and business confidence, laying the foundation for recovery rather than delivering an immediate surge.

Total bank credit stood at ₹203.2 lakh crore as of 31 December 2025 and has seen gradual improvement as credit growth improves from low of ~9% yoy during CY25 to ~14% yoy in last fortnight of Dec-25.

Exhibit 4: YoY Bank Credit Growth[2]



2 https://www.rbi.org.in/

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Two segments continue to demonstrate sustained growth; MSME segment, which is around **8% of total credit**, has remained steady, supported by digitalisation, formalisation, and improved risk-adjusted returns and Retail credit, accounting for roughly **40% of loans**, is expected to accelerate further, aided by GST rationalisation, lower interest rates, benign inflation, and income tax relief announced in the Union Budget.

Consumption, Credit & a Clearer Outlook

RBI embarked on an aggressive deregulation path in 2025, mainly by cutting risk weights and removing lending restrictions at multiple levels. This has benefited cyclical recovery in two ways: i) banks are more confident of lending and have shed some of the extreme risk-aversion, and ii) this has helped shore-up capital bases of several banks also through capital infusion by strategic investors, which has given them the space to step up loan growth.

Financial Institution	Strategic Investor	Investment ($mn)
Yes Bank	SMBC	1,800
RBL Bank	Emirates NBD	3,000
Federal Bank	Blackstone	700
Shriram Finance	MUFG	4,300
Sammaan Capital	IHC	1,000

A pre- and post-festive lens provides a useful view of economic momentum in 2025. Sectoral data indicates that growth strengthened in the last quarter of CY25, i.e., from October to December, driven by festive demand, improved cash flows, and healthier inventory cycles.

The GST rationalisation in September 2025 (GST 2.0) played a key role in boosting retail credit demand by improving affordability. This uplift reflects strong alignment between policy reforms and consumer behaviour.

Credit growth seems to have picked up post implementation of GST 2.0 with gradual improvement through October 2025 to December 2025.

Exhibit 5: Monthly credit growth of retail sector

Period	YoY		
Sector	**Consumer Durables**	**Vehicle**	**Gold**
Jan-25	-2.70%	6.58%	75.47%
Feb-25	2.23%	6.47%	86.61%
Mar-25	-1.31%	8.61%	103.52%
Apr-25	-1.26%	6.00%	119.63%
May-25	-3.92%	5.89%	115.26%
Jun-25	-3.10%	8.02%	123.81%
Jul-25	-6.06%	8.91%	121.95%
Aug-25	-6.04%	8.74%	117.83%
Sep-25	-6.25%	7.28%	114.88%
Oct-25	0.02%	9.89%	118.81%
Nov-25	-5.94%	12.38%	125.35%

Festivals continued to act as a demand anchor. Automobiles led big-ticket consumption, supported by tax relief and EMI schemes. Consumer electronics and appliances saw strong traction via e-commerce discounts and financing. Apparel, footwear, and textiles benefited from wedding-related demand, while jewellery remained resilient despite price volatility. FMCG and packaged foods saw volume-led growth, aiding inventory turnover.

Credit growth is translating into real consumption, strengthening the outlook for sustained demand.

Manufacturing, Exports and the CAPEX Question

Manufacturing is expected to see continued growth over next few years. While the sector has expanded over the past decade, the current phase marks a shift toward deeper global integration, supported by policy incentives, rising FDI, and improving export competitiveness.

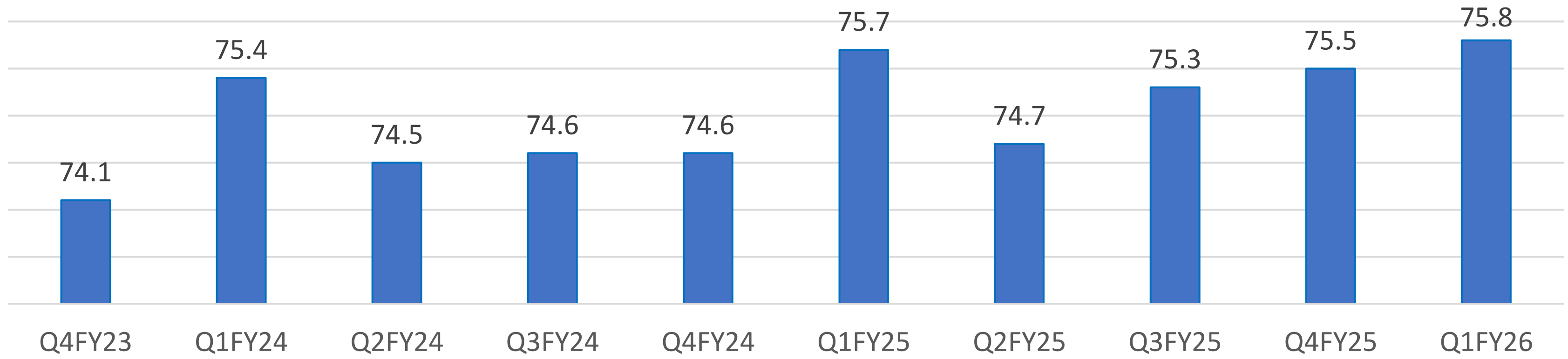
The sector contributes **16–17% of GDP** and employs over **27 million workers**, with electronics, chemicals, defence, automotive, engineering, and textiles driving momentum. Technology adoption - automation, digitalisation, and process-led manufacturing, is reshaping competitiveness.

Export competitiveness improved as rupee depreciation aided pricing advantages and India integrated deeper into global value chains. Domestic value addition in electronics rose from 30% to 70%, with a target of 90% by FY27. Smartphone exports increased to 22.9 million units in H1 2025, from 15 million a year earlier. India is also positioning itself as a key supplier in wind-energy components, with potential to meet 10% of global demand by 2030.

Policy support remains strong. The National Manufacturing Mission announced in Budget 2025–26 focuses on ease of doing business, MSME growth, technology access, workforce readiness, and quality manufacturing, with a parallel push toward clean-tech ecosystem.

FDI inflows into manufacturing have risen 69% over the past decade to ₹14.3 lakh crore, while PLI-linked investments have crossed ₹1.76 lakh crore.

Exhibit 6: RBI Quarterly Seasonally Adjusted Capacity Utilization

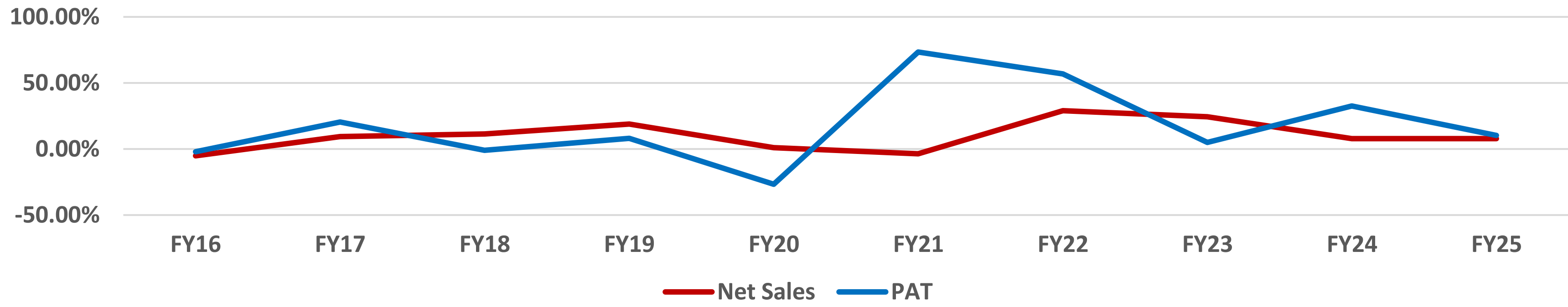


Source: Reserve Bank of India Order Books, Inventories and Capacity Utilisation Survey

Capacity utilisation has improved incrementally across sectors. While a broad-based private CAPEX cycle has yet to emerge, early signs of selective investment, capacity expansion, technology upgrades, and backward integration, are visible.

Manufacturing is structurally better positioned than in past cycles. With strong policy backing, rising exports, improving utilisation, and sustained investment flows, it represents one of India's most powerful long-term growth levers, though the pace of private CAPEX remains the key variable to watch.

Exhibit 7: BSE 500: Trends in Revenue Growth and Profitability Across Business Cycles



Exceptionally strong PAT growth during FY21-24 was driven more by pricing power/improved realisations, cost optimisations and deleveraging of balance sheets. However, as is evident from FY25 onwards earnings trajectory, the growth will likely be driven more by volume growth and consequently requiring the private capex to pick up to meet the increasing demand.

QUEST AIF SASR NEWSLETTER- JANUARY 2026

Fund Strategy, Objective and Theme

- To generate long term capital appreciation and **superior Risk Adjusted Returns** for clients in the long run by creating alpha through selection of a basket of high-quality listed companies across small and mid cap space.
- The AIF strategy would be small and mid cap focused as defined by their market capitalizations and would also take tactical cash calls from time to time.
- It would be a sector and theme agnostic portfolio and invest via a bottom-up approach. It would be a diversified portfolio of up to 20 - 25 stocks.
- The portfolio is suited for clients who have a **minimum of 4 - 5 years investment horizon**

Key Terms

Inception Date:	10th May 2022
Benchmark Index:	Nifty 500
Minimum Investment:	Rs 1 Crore

Fund Manager

Mr. RAKESH VYAS

Chief Investment Officer and Portfolio Manager

Mr. Rakesh Vyas has been active in capital markets for last 20 years of which more than 14 years were with HDFC Mutual fund where he was part of Fund Management and Research Team. Over these years he has actively researched more than 150 companies across various sectors like Cement, Infrastructure, Utilities, Metals/Minerals, Chemicals, Real estate etc. Prior to joining Quest, he was managing HDFC Infrastructure Fund and HDFC Housing opportunities fund since Jan-20 till Jan-24. HDFC Infrastructure fund was awarded Platinum award in Infrastructure fund category by Navbharat BFSI Awards 2023.

He also served as Member of SEBI appointed advisory committee on Hybrid Securities (chaired by Mr KV Kamath). The committee has been responsible for providing recommendations on development and regulation of primary and secondary markets of Hybrid Securities (i.e., REIT, InvIT, etc.) in India.

He has done Post Graduate Diploma in Management from XLRI Jamshedpur and Bachelor of Electrical Engineering from MBM Engineering college Jodhpur.

PERFORMANCE SUMMARY POST TAXES

(As on 31st December 2025)

Particulars	3 Months	6 Months	1 Year	Since Inception (10/5/2022)
Quest Smart Alpha – Sector Rotation AIF (A1 Class shares)	-3.23%	-7.93%	-8.68%	14.13%
Quest Smart Alpha – Sector Rotation AIF (A2 Class shares)	-3.16%	-7.79%	--8.39%	14.41%
Quest Smart Alpha – Sector Rotation AIF (A3 Class shares)	-3.09%	-7.66%	-8.15%	15.26
Nifty 500	5.00%	1.08%	6.69%	15.78%

Note: The above returns are unaudited and computed on TWRR basis post all fees & expenses and post taxes paid on all realized gains. Returns less than 1 year are on absolute basis. Client returns could vary depending on their dates of investment and subsequent drawdowns

QUEST INVESTMENT MANAGERS

Holdings as on 31st December 2025

Company Name	Weightage (%)
AU SMALL FINANCE BANK LTD	6.76
ETERNAL LTD	6.41
BHARTI AIRTEL LTD	5.62
HDFC BANK LTD	5.19
Kalpataru Projects International LTD	5.19
Cash and Equivalent	5.17
ONE 97 COMMUNICATIONS LTD	5.04
Vishal Mega Mart Ltd	5.03
TVS Holdings LTD	4.97
TRENT LTD	3.09
SEQUENT SCIENTIFIC LTD	3.64
360 ONE WAM LTD	3.46
Siemens Energy India LTD	3.38
AXIS BANK LTD	3.35
TECHNO ELECTRIC AND ENGINEERING COMPANY LTD	3.34
SUDARSHAN CHEMICAL INDUSTRIES LTD	3.31
BSE LTD	3.07
Swiggy LTD	2.81
CITY UNION BANK LTD	2.75
Ajmera Realty And Infra India Limited	2.61
Samhi Hotels Limited	2.48
Kirloskar Ferrous Industries Ltd.	2.38
Tata Capital LTD	2.21
Indian Hotels Company Limited	2.19
COHANCE LIFESCIENCES LTD	2.15
ICICI Prudential Asset Management Company LTD	1.52
BIOCON LTD	1.03
LG Electronics India LTD	1.00

SUMMARY FINANCIALS OF INVESTEE COMPANIES

Company Name	Revenue CAGR FY25-27(E)	PAT CAGR FY25-27 (E)	FY 26 PE (E)
AU SMALL FINANCE BANK LTD	18.59%	26.51%	28.96
ETERNAL LTD	142.58%	110.25%	495.21
BHARTI AIRTEL LTD	17.29%	10.17%	42.23
HDFC BANK LTD	12.15%	11.90%	19.03
Kalpataru Projects International LTD	21.68%	52.48%	18.35
ONE 97 COMMUNICATIONS LTD	24.60%	L2P	109.80
Vishal Mega Mart Ltd	19.19%	29.79%	72.37
TVS Holdings Limited	13.49%	39.18%	15.21
TRENT LTD	23.20%	12.72%	78.67
SEQUENT SCIENTIFIC LTD	15.11%	155.17%	111.75
360 ONE WAM LTD	15.39%	17.32%	37.50
Siemens Energy India LTD	21.97%	25.24%	61.60
AXIS BANK LTD	10.36%	8.15%	15.64
TECHNO ELECTRIC AND ENGINEERING COMPANY LTD	42.50%	30.02%	22.40
SUDARSHAN CHEMICAL INDUSTRIES LTD	75.60%	145.63%	39.88
BSE LTD	33.33%	47.00%	53.50
Swiggy LTD	41.69%	NA	NA
CITY UNION BANK LTD	18.78%	18.05%	15.49
AJMERA REALTY AND INFRA INDIA LTD	15.00%	15.00%	24.72
SAMHI HOTELS LTD	11.02%	54.96%	18.66
KIRLOSKAR FERROUS INDUSTRIES LTD	13.17%	33.57%	20.42
Tata Capital LTD	18.54%	33.40%	30.51
INDIAN HOTELS COMPANY LTD	17.23%	19.24%	43.15
COHANCE LIFESCIENCES LTD	7.29%	3.54%	48.75
ICICI Prudential Asset Management Company LTD	21.38%	24.88%	38.08
BIOCON LTD	16.67%	L2P	89.66
LG Electronics India LTD	8.71%	6.72%	50.90

INVESTMENT RATIONALE AND SWOT

BIOCON LTD.

Primer

- Biocon Group is a global biopharmaceutical leader dedicated to delivering high quality, affordable medicines that transform patient lives worldwide. The Group's strategy centers on advancing health equity through its three key business verticals, each with distinct market strategies yet united by shared expertise and complementary capabilities.
- The generics business is focused on manufacturing and supplying affordable generic active pharmaceutical ingredients (APIs) and finished dosages across multiple global markets.
- As a fully integrated global biosimilars company, Biocon Biologics develops, manufactures, and commercializes high quality biosimilars that provide affordable access to lifesaving biologic therapies in diabetology, oncology, immunology, and other chronic diseases. The business leverages cutting-edge science, innovative technology platforms, and global-scale manufacturing to drive healthcare savings and improve patient outcomes.
- Syngene – the CRDMO arm, delivers integrated, end-to-end research and manufacturing services spanning small and large molecules. Its modular capabilities accelerate drug discovery, development, and commercial manufacturing for global pharmaceutical and biotechnology clients, enhancing speed to market and cost efficiency.

Investment Thesis

- **Initial Signs of Improving Traction in Biosimilars:** Biocon is beginning to demonstrate initial signs of improving execution and traction in its Biosimilars business, as it has captured a leading 14% market share (MS) in Ustekinumab during 2Q driven by formulary coverage for 70-80% of the commercial lives. Ustekinumab, along with steady MS in Trastu/Pegfil at 20/25%, led to Biosimilars revenue growing 20% cc YoY in 2Q.
- **Building Stake in Biocon Biologics Ltd:** Biocon has unveiled plans to acquire the 23.3% minority stake in Biocon Biologics (BBL) through a mix of cash to Viatris and a share-swap with Viatris and remaining investors. The merger can act as a strategic value unlock for Biocon shareholders, eliminating the holdco discount while driving operational synergies through fungible facilities. Also, Biocon shareholders can now get access to the entire growth story of BBL.
- **Strong Q2FY26 Performance:** The generics segment reported a 24% YoY growth in sales, driven by traction in recently launched products (eg: Liraglutide, Dasatinib, and Sacubitril + Valsartan) in the U.S. and EU. This was further supported by growth in the base formulation and API business. Margins, which were earlier subdued due to 3 new facilities capitalized earlier, are seeing uptick as these capacities ramp up and the new launches come in. The CRDMO segment reported 2% YoY growth in sales, performance being in line with company's expectations and management maintaining FY26 guidance. Growth was driven by strong growth in research services. During the quarter, Syngene expanded its clinical trials footprint to Australia, New Zealand, UK, Sri Lanka, and Eastern Europe.

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
The company's portfolio spans biosimilars, generics (APIs & formulations), and research services/CRDMO capabilities.	Stringent and evolving regulatory environments (especially USFDA/EMA) can delay product approvals or market entry, affecting revenue timing and competitive positioning.	Biocon is positioning itself in the high-growth GLP-1 segment, with launches in Europe and potentially forthcoming approvals in key markets.	Heightened scrutiny, potential FDA/EMA non-compliance issues, and intellectual property litigation can delay or restrict market access, directly impacting revenue forecasts.
Biocon has a strong track record in developing and commercializing biosimilars, with products approved and marketed across key regions.	The generics segment, especially in the U.S., faces price erosion and margin compression due to intense competition from low-cost producers, impacting short-term profitability.	Accelerated expansion in Asia, LATAM, and MENA markets can unlock new volume growth, for biosimilars and branded generics where pricing power is better preserved.	R&D development and regulatory review often take longer than expected. Delays in key product launches in premium markets can defer revenue growth.

CITY UNION LTD.

Primer

- City Union Bank Ltd. (CUB), the oldest Private Sector Bank in India, was founded on October 31, 1904, and is headquartered in Kumbakonam, Tamil Nadu, India.
- The main focus of the Bank – lending to MSME, Retail / Wholesale Trade with a granular asset profile including providing Short-term and long-term loans to the agricultural sector.
- The Deposits and Advances at the end pf Sep-25 stood at INR 69,486 crore and INR 57,561 crore respectively. The Balance Sheet size as on Sep-25 was INR 84,402 crore.
- It has a pan India branch network of 889 branches, of which 557 are present in Tamil Nadu alone.

Investment Thesis

- **Solid Growth, Healthy NIM and Lower Credit Costs Drive Earnings:** CUB reported 15% YoY earnings growth, as ~10% YoY operating profit growth was supported by a ~20% YoY decline in provisions. NIM improved ~10 bps QoQ to 3.63%. Loan growth was at 18% YoY. Asset quality performed steadily, with the bank reporting 0.4% of credit costs and NNPA declining 30 bps QoQ. Provision coverage was at 63% (up 250 bps QoQ). RoA was at 1.6% and RoE at 13.3%.
- **Growth Rates Improving:** CUB reported its highest loan/deposits growth in a decade. During Q2FY26 the loan growth was driven by personal loans (grew 2x) followed by 52% YoY growth in non-agri gold, 26% YoY growth in MSME, 18% YoY growth in agri gold, and 17% YoY growth in home loans. Deposit growth outpacing loan growth led to decline in CD ratio by 60bps QoQ to 81.6%.
- **New Technology Initiatives:** As part of Digital Lending, the Bank has implemented AI based system which assesses & reports the customers' provisional credit eligibility, which is sanctioned based on the customers' acceptance and approval. In line with this, the Bank has also launched pre-approved personal loans to customers in this segment. The Bank has implemented Robotic Process Automation (RPA), for generating periodic reports, regular internal and external communications, whichever is of repeated nature. This reduces the workload of the employees by removing manual intervention and facilitating error-free reporting.

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
Asset quality has strengthened meaningfully as GNPA and NNPA ratios have trended down over successive periods.	A significant portion of CUB's business remains concentrated in Tamil Nadu and southern India, exposing it to regional economic fluctuations.	CUB can further expand secured retail loans and MSME financing in under-penetrated markets, which have higher-margin and lower-risk.	Larger private banks and digital lenders are aggressively pricing to attract CASA and retail borrowers.
The bank's capital adequacy remains comfortably above regulatory norms, supporting future credit growth and absorbency against shocks.	CUB is a mid-sized bank with a smaller branch network vs the larger private banks, which constrains its ability to compete in high-growth urban markets.	Leveraging co-lending frameworks, like the recent IFC commitment, can access cheaper capital without heavy leverage.	Evolving RBI regulation on capital, provisioning, and retail risk norms could increase compliance costs and constrain risk-taking appetite, especially for smaller banks.

ICICI PRUDENTIAL ASSET MANAGEMENT CO LTD.

Primer

- ICICI Prudential Asset Management Company (IPRU AMC) is India's 2nd largest AMC with QAAUM of ~₹10.1 tn (Sep'25) and ~13% industry market share, supported by leadership in active equity funds.
- It is the largest equity-focused AMC with ~13.4% equity QAAUM share, equity forming ~56–59% of total MF AUM, ensuring a structurally higher-yielding mix.
- The AMC has the largest individual investor franchise with ~15.5 mn investors, ₹6.6 tn individual MAAUM, and 13.7% market share in individual MF assets.
- Beyond mutual funds, it has built a sizeable Alternates platform (PMS + AIF + advisory) with ₹729 bn QAAUM (Sep'25), among the largest in India.

Investment Thesis

- **Consistent Superior Performance in 1/3-yr Bucket:** ICICI AMC has shown the best performance in 1-yr bucket, while being ranked consistently among top 3 in the 3-yr bucket since Feb'22. In terms of quintile, 90% of equity was in Q1 as of Nov'25. Net equity flow market share in FY25/8MFY26 was highest among AMCs at 15.2%/17.5% vs. stock market share of 13.2%/13.8%. Further, its performance is more risk efficient than peers due to lower concentration risk and SMID exposure. As of Nov'25, its top 5 schemes contributed 53% to equity MAAuM vs. 64% for HDFCAMC and 71% for NAM. Also, despite having the largest equity MAAuM, ICICI AMC has the lowest SMID exposure at 36.4%.
- **Solid Pedigree Driving Better Yields:** Despite having largest active equity base, yields are superior at 67bps (FY25) vs 62.5bps/57.5bps/61.1bps for HDFCAMC/SBIMF/NAM, as payout ratio is lowest at 46% (vs 48%/53%/53%). This can be attributed to

  (1) higher banca share with strategic reliance on ICICI Bank (closed architecture), higher direct mix, but lower ND share.
  (2) strong pedigree and consistent but superior risk-efficient performance; and
  (3) most no. of equity schemes (43), lower AUM size that allows higher TER. Debt yield is best at 32.6bps led by better 3-yr performance. Hence, ICICI AMC has highest MF yield at 47.4bps.
- **Strong Parentage Supporting Distribution:** ICICI Bank provides access to a vast distribution network of 7,246 branches and integration with bank's digital platforms. Bank's closed architecture leads to ICICI AMC accounting for 73.7% of overall MF sales by the bank and 70% of ICICIBC's MF-related AAuM. A large sales team of 2,911 (Sep'25) also support overall distribution. Hence, direct and banca share is higher than peers. Recent equity distribution mix was: banca at 19.3% (ICICIBC: 8.5%), ND-15.6%, MFD-37.5%, & direct at 27.6%.
- **More Diversified Revenue and Comprehensive Product Portfolio**: The company has a comprehensive and well-diversified product portfolio. As of end H1FY26, it managed 143 mutual fund schemes, the highest among Indian AMCs (Source: CRISIL), compared with 128 for SBI AMC and 107 for HDFC AMC. The portfolio is diversified across asset classes, comprising 44 equity and equity-oriented schemes, 20 debt schemes, 61 passive schemes, 15 domestic FoFs, and one each in liquid, overnight, and arbitrage categories. ICICI AMC has a higher share of non-MF revenue. Alternates business consists of PMS, AIF and advisory with combined QAAuM of Rs729.3bn (Sep'25). Excluding PMS/AIF related expenses, contribution to revenue for FY25 is better than peers at 9.2%.

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
Market leadership in equity AUM and individual investors.	High dependence on equity market sentiment for flows and yields.	Structural under-penetration: ~57 mn MF investors vs ~780 mn PAN holders.	Market corrections impacting equity AUM and MTM-linked revenues.
Best-in-class profitability with superior yield retention.	Large size could moderate incremental AUM growth rates over time.	Rising SIP penetration and ticket sizes.	Regulatory risk (TER caps, commission structures).
Deep distribution network: 110k+ MFDs, 213 national distributors, 67 banks.	PMS/AIF businesses carry higher cost and volatility vs MF segment.	Continued expansion of alternatives, offshore advisory and HNI PMS.	Scheme underperformance affecting flow momentum.
Scaled alternates platform enhancing blended margins.		Operating leverage from scale with limited incremental capital required.	Intensifying competition from large AMCs and passive products.

LG ELECTRONICS INDIA LTD.

Primer

- LG Electronics India Ltd (LG India) was incorporated in 1997 as a wholly owned subsidiary of LG Electronics, which is the leading single-brand global home appliances player in terms of market share by revenue in CY2024. It derives several benefits from strong parentage including the "LG" brand. The strong parentage, access to innovative technologies, and commitment to quality, positions it as a trusted brand in India.
- LG India has been the number one player in major home appliances and consumer electronics (excluding mobile phones) in India for the six months ended June 30, 2025, CY2024, CY2023 and CY2022 as per the market share (in terms of value) in the offline channel. LG India is a market leader in India across multiple product categories including washing machines, refrigerators, panel televisions, inverter air conditioners, and microwaves, based on the market share (in terms of value) in the offline channel (which represents approximately 78% and 77% of the major home appliances and consumer electronics market (excluding mobile phones) in India in terms of value.
- Its distribution network spans across urban and rural India through 35,640 B2C touch points for the three months ended June 30, 2025. Consumers are serviced through a dedicated team of 463 B2B trade partners as of June 30, 2025, and has a team of 286 employees engaging in customer service as of June 30, 2025.

Investment Thesis

- **Strong Competitive Advantages:** LG has developed multiple competitive advantages such as established brand, distribution network and strong presence in alternate channels. It also offers installation as well as annual maintenance/ servicing to the trade/consumers. It has been able to deliver technologically advanced products across price points with strong servicing abilities. LG has strong ability to manufacture products in India with plants at Pune and Noida and it is also in process to establish new unit at Sri city. It also has strong backward integration of key components like compressors.
- **Strong In-house Manufacturing Capabilities:** The company has strong in-house production capacities among prominent home appliances and consumer electronics manufacturers in India. It operates two manufacturing facilities located in Noida and Pune, producing ~86% of its products. Additional manufacturing plant at Sri city, Andhra Pradesh, could enable the company to strengthen its in-house production facility, greater control over supply chain and cater to rising consumer demand.
- **Tapping into the Growing AMC Market:** LG India is capitalising on the fast-growing AMC market. Believe that LG's established service infrastructure and strong brand equity position allows it to capture a meaningful share of the opportunity. Through Careship Subscription Program customers can opt for AMC services at the time of product purchase. This integrated model enhances customer convenience as well as deepens the company's engagement across the product lifecycle. By rolling out this initiative, LG aims to offer differentiated service quality, strengthen brand stickiness, and improve customer satisfaction levels. By Subscription-based appliance rentals model it is planning to expand its reach to younger, urban consumers who prefer hassle-free access over ownership.
- **Reduction in GST Rates on White Goods and Other Macro Tailwinds:** LG to is likely to benefit from multiple growth drivers such as reduction in GST, cut in repo rates by 100bps, additional liquidity measures as well as reduction in personal income taxes. The GST rates were cut from 28% to 18% on air conditioners, television > 32inch, and dish washers.

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
#1 offline market share in home appliances and strong LG brand equity with 28 years in India.	Significant dependency on Parent for brand, patents, and technology.	PLI schemes, Make-in-India, state incentives, improved logistics infrastructure boosting domestic manufacturing.	Aggressive pricing & rapid expansion by Chinese or domestic brands, and online-first brands can increase competition.
Extensive Distribution & Service Network with 35,640+ B2C touchpoints, 1,006 service centers, 13,368 engineers, 800+ LG brand shops.	Heavy reliance on imported components like motors, premium parts, and semiconductors.	Rising disposable income, urbanization, and lower GST rates should lead to an improvement in demand.	Supply chain vulnerabilities like raw material price volatility, geopolitical risks, import dependencies, and logistics disruptions can put pressure on margin.

SWIGGY LTD.

Primer

- Swiggy is India's leading consumer-first technology platform, enabling users to order food delivery, groceries and household essentials, make restaurant reservations, book local events, and much more all in one place.
- The Food delivery business (Swiggy app) connects users to a vast network of restaurants for on-demand food delivery, supported by a large fleet of delivery partners.
- Its Quick Commerce app (Instamart) delivers groceries and household essentials in minutes, leveraging merchant partnerships, dark store infrastructure, and a dynamic delivery network.
- The other business includes Supply Chain and Distribution where it provides tech-led B2B supply chain services for wholesalers and retailers, combining warehousing, logistics, and distribution to streamline procurement and fulfilment, and Platform Innovations incubates and integrates innovative offerings to deepen convenience and capture unmet demand.
- The Food Delivery business did TTM GMV of INR 31.4 bn, and the Quick Commerce business did TTM GMV of INR 21.3 bn at the end of Q2FY26.

Investment Thesis

- **Building Convenience Ecosystem:** Digitally native consumers are creating an internet-based ecosystem across various consumption categories, leading to growth in online market and penetration. This fundamental and lasting shift in consumer behavior is reflected in the higher growth rates of convenience-providing businesses. For now, Swiggy and Zomato account for most of the market share of the online food delivery business.
- **Quick commerce is the Fastest Growing Retail Channel:** Quick commerce (QC) refers to a convenience-focused quick delivery model offering items of everyday consumption (food, grocery and FMCG products) and increasingly other items (electronics, books, select apparel, small appliances and general merchandise) to consumers. Quick commerce, with its superior assortment and customer data-led service quality as well as super-quick fulfilment, is emerging as the fastest growing retail channel.
- **Platform Innovation:** Platform innovation is like an incubation center, wherein Swiggy tests and develops new service offerings aimed at improving user experience and expanding its service portfolio. The company follows a framework to evaluate new service offerings for product and market fit within a defined time frame and in a capital-efficient manner. Based on the outcomes, offerings are either scaled up, adjusted, or discontinued. One such outcome is Instamart, the company's Q-com platform, which was developed through the Platform Innovations segment. Other recent initiatives like Snacc, a platform offering 10–15 minutes delivery of fast food, beverages, and Indian tiffin items from nearby locations have also emerged through this segment.

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
Swiggy has evolved from a pure food delivery platform into a comprehensive hyperlocal commerce engine giving it a broader revenue base and stronger customer engagement.	Swiggy has struggled to achieve sustainable profitability.	The grocery and quick delivery market is projected to grow rapidly.	Swiggy operates in a highly competitive hyperlocal industry.
It enjoys high brand recall and deep engagement with millions of monthly active users, supported by loyalty features like Swiggy One that promote recurring usage and stickiness across ecosystems.	Running an extensive delivery network entails high fixed and variable costs.	As digital penetration grows beyond large urban centers, Swiggy can tap underserved Tier-3/4 towns — expanding its addressable market.	Failure to retain existing users, or to acquire new users at low cost.

Tata Capital Ltd.

Primer

- Tata Capital Limited ("TCL"), a subsidiary of Tata Sons Private Limited, is operating as a Non-Banking Financial Company. It is the third largest diversified NBFC in India with Total Gross Loans of INR 2,334.0 billion as of June 30, 2025.
- Since commencing lending operations in 2007, it has served 7.3 million customers up to June 30, 2025. Through its comprehensive suite of 25+ lending products (the "Lending Business"), it caters to a diverse customer base comprising salaried and self-employed individuals, entrepreneurs, small businesses, small and medium enterprises and corporates.
- It has an extensive pan-India distribution network comprising 1,516 branches spanning 1,109 locations across 27 States and Union Territories, as of June 30, 2025. The branches are typically staffed with an in-house team responsible for customer engagement, acquisition, loan processing, documentation and servicing.
- Lending Business is focused on distinct customer needs like Retail Finance, SME Finance, and Corporate Finance.

Investment Thesis

- **Strong Parentage and Robust Franchise Strength:** TCL is the flagship financial services company of the Tata group, which is one of India's most distinguished business groups, with a legacy of over 150 years. Its Promoter, Tata Sons Private Limited, is the holding company of the Tata group. The Tata group (a) is comprised of companies across 10 verticals such as automotive, technology, steel, financial services, aerospace and defense, and consumer and retail; (b) is a global enterprise headquartered in India, with operations in more than 100 countries across six continents and collectively employed over 1 million employees, as at March 31, 2025; and (c) has the most diversified presence across industries in India as at March 31, 2025.
- **Third Largest Diversified NBFC in India**: TCL is the third largest diversified NBFC in India based on Total Gross Loans of INR 2,334.0 billion as of June 30, 2025, and the most comprehensive amongst large diversified NBFCs in India based on the number of loan product offerings, as of March 31, 2025. TCHFL, its Material Subsidiary which operates in the housing finance sector, has a Total Gross Loans of INR 711.5 billion, as of June 30, 2025. The loan offerings to customers comprised a wide range of ticket sizes ranging from IRN 10,000 to over INR 1 billion, as of June 30, 2025. The suite of lending products is tailored to address customers' financial requirements based on the understanding of the customers. The loan portfolio is also diversified across customer types, sectors and geographies, thereby minimizing any concentration risks.
- **Omni-channel Distribution Model:** TCL has built an omni-channel distribution network which combines of pan-India branch network with an extensive network of external partners and digital platforms. This 'phygital' model enables TCL to customize distribution strategy based on the customer profile, type of product, and location, thereby optimizing distribution efforts and facilitating a seamless customer experience. Its branch network is an integral part of strategy to expand presence in relevant markets across location tiers, regions and customer segments. The branches are supported by an extensive network of external channels comprising over 30,000 DSAs, over 400 OEMs, over 8,000 dealers and over 60 digital sourcing partners with whom we have partnered, as of June 30, 2025. The digital platforms comprise of websites, mobile apps, and other communication channels, in addition to external interfaces through partnerships with external agents and other partners.
- **Highest Credit Rating with a Diverse Liability Profile**: TCL is rated "AAA with stable outlook" from each of CRISIL, ICRA, CARE and India Ratings, and commercial papers are rated "A1+" by each of CRISIL, ICRA and India Ratings, as of June 30, 2025. According to the CRISIL, this is the highest possible credit rating for NBFCs in India. This credit ratings helps TCL to borrow from a diverse pool of domestic and international lenders at competitive rates. It has well-diversified funding sources, with no single lender contributing >10% of total borrowings as on June 30, 2025.

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
Strong Promoter and Brand Legacy.	Unsecured loans at ~20% of book makes it asset quality cyclically sensitive.	Rapidly growing NBFC credit market with strong demand in retail, vehicle, MSME, and affordable housing.	NBFC-UL category brings strict capital, governance, risk, and exposure norms.
Large NBFC having National Presence with diversified loan book and healthy asset quality.	Merger of Tata Motors Finance Ltd with TCL had some impact on the financials of the company.	Access to 70+ Tata group companies for financial product penetration (consumer products, auto, tech, retail, hospitality).	Banks and fintech lenders are entering aggressively in retail & SME credit market.

QUEST INVESTMENT MANAGERS

Risk Management

(Disclosures Under Regulation 22 (g) of SEBI (Alternative Investment Funds) Regulations, 2012)

Parameters	Level	Mitigants
Concentration Risk	Fund	▪ Fund shall not invest more than 10% of the NAV in any single Investee Company.
Foreign Exchange Risk	Fund	▪ Fund has invested only in Indian securities hence the fund's investments do not face any Foreign Exchange Risk.
Leverage Risk	Fund	▪ The fund hasn't taken any borrowings or invested in derivatives till 31st Dec 2025 nor does it plan to do so in the future.
Leverage Risk	Investee Company	▪ Strong Balance Sheet is one of the key investment parameters and hence most investments are likely to be in companies where the Debt Equity ratio is very comfortable.
Realization Risk	Company/Fund	▪ We will be investing only into listed equities which shall mitigate realization risk to a large extent. Till the funds are invested, they may be parked in overnight / liquid funds.
Reputation Risk	Company	▪ The fund prefers to invest in high quality businesses run by capable management teams that have a clear focus on growth and cash flows. ▪ The strategy attempts to invest in companies with improving business fundamentals. Periodic evaluation of management decision/strategy and company financials is being undertaken.
Extra Financial Risk	Company/Fund	▪ The fund aspires to manage satisfactory liquidity at all times for better management of any financial emergency. ▪ All expenses and financial obligations are well managed and provided for. ▪ For any investment in smaller companies, liquidity may be a risk. The Fund manager endeavours to take these risks by relying extensively on primary research. For such stocks, risk-reward trade-off between liquidity and long-term prospects is considered before investing and is also reviewed periodically post investments. ▪ Portfolio construction will be post considering the overall macro environment, valuations and risk reward equation at that point in time and reviewing each of the investment.
Regulatory Risk	Fund	▪ There have been no instances of any inquiries/ legal actions by legal or regulatory bodies against the Fund, Sponsor, Investment Manager or Trustees to the Fund.
Strategy Risk	Company/Fund	▪ The investment philosophy and strategy has been discussed in detail earlier. The fund will perform reasonable due diligence/research and seeks to make Fund Investments in Investee Companies that have the potential to earn superior returns vis-a-vis the broader markets.

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