QUEST AIF SASR-II NEWSLETTER
APRIL 2026

Indian equity markets in last 3 months have transitioned from watching the AI related disruption to Iran-US-Isreal conflict which has led to severe disruption in Energy basket for not just for India but many major economies (as has been highlighted in our earlier note Iran–Israel/US Conflict – March 2026). The immediate macro risk for India from this conflict is not merely higher crude; it is the combination of Oil, LNG, LPG, freight, petrochemical and foreign-exchange volatility feeding into inflation expectations and hedging costs.

The RBI's response has been surgical rather than blunt: tighter foreign-exchange market rules, restrictions on speculative positioning, continued liquidity management, and temporary trade-credit relief for exporters.

The Government's response has been operational rather than rhetorical: assuring fuel availability, postponing some refinery maintenance, expanding LPG allocation in phases, enabling more flexible domestic sales from export zones, reduction in taxes on retail fuel products, and accelerating pipeline-gas infrastructure where possible.

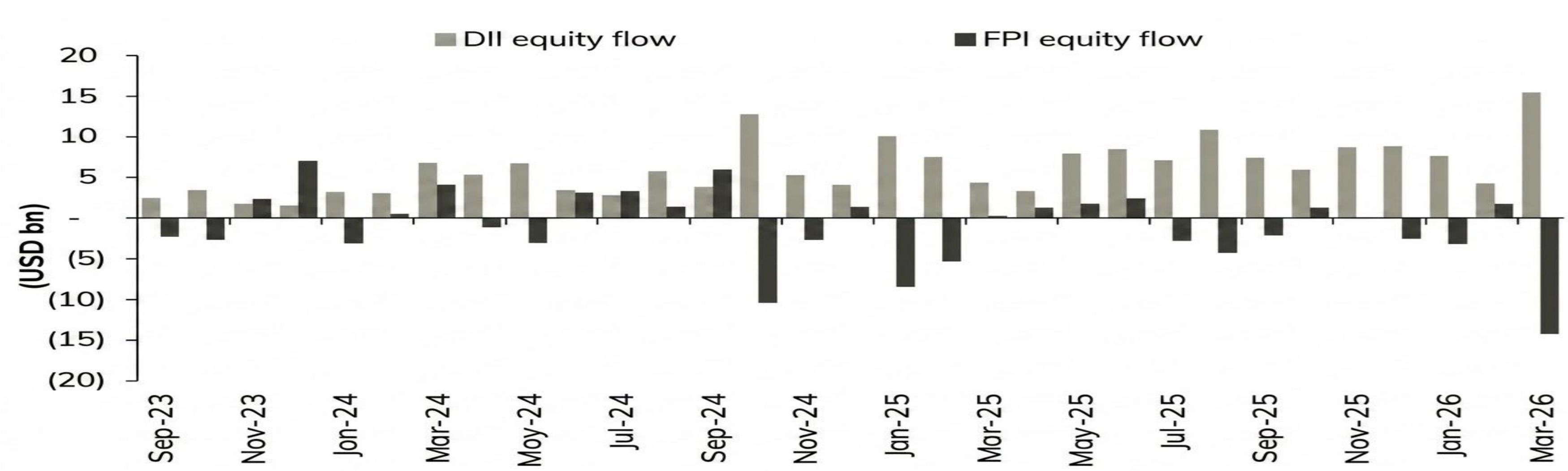
Markets in March 2026 have also weathered the strong FII outflow which has reached the highest monthly outflow in last few years and hence there has been sharp sell off across many sectors which had high FII holdings. The action seems mainly triggered by West Asia war and consequential concern on FX rate, govt fiscal, growth moderation etc.

However post the recent correction the market valuations has become very palatable with expected FY27 P/E of ~18.5x (broadly inline with last 10 year average) with earnings growth expected to be ~10% (Iran conflict and higher energy basket would impact earnings by 2-4% compared to earlier expected growth of 12-14%). We remain confident of a strong earnings recovery in FY27, led by BFSI, consumer discretionary, auto and auto ancillaries, manufacturing, and private capex-linked sectors, despite lingering uncertainty around energy costs.

Exhibit 1 – Sectoral FII outflows (USD mn, Mar'25-Mar'26)[1]

Month	Auto	Cap Goods	Chemical	Durables	Consumer Services	FMCG	BFSI	Pharma	IT	Media	Metals	O&G	Power	Realty	Telecom	Others
Mar'25	-327	-32	57	-174	-353	-643	1,675	15	-973	51	219	-397	-24	68	360	74
Apr'25	-375	-6	103	-6	212	343	2,169	-84	-1,777	13	-398	-40	106	-84	544	-194
May'25	11	623	153	-203	-58	95	470	-306	-285	16	8	295	-292	-194	946	1,042
Jun'25	553	-215	278	-290	158	-463	1,042	-47	137	4	-42	716	-735	156	320	138
Jul'25	-412	37	130	-302	347	175	-671	-8	-2,285	-23	388	-372	8	-450	169	1,240
Aug'25	205	216	179	-224	-52	-125	-2,657	-162	-1,287	18	-75	-698	-464	-142	660	614
Sep'25	411	340	-43	-409	-381	-474	113	-690	-682	8	208	-88	-305	-255	-273	-177
Oct'25	110	-77	-105	-198	-391	-482	1,501	-351	-248	-5	355	1,030	109	-91	243	248
Nov'25	-183	280	-132	-13	-449	-534	-357	-202	-652	-35	-76	804	-295	-90	1,610	-102
Dec'25	-228	-284	-5	66	372	-648	-1,164	-330	129	-35	331	259	-304	-104	27	-579
Jan'26	-392	301	16	-113	-603	-828	-942	-672	-204	-20	1,260	-104	-204	-291	-523	-633
Feb'26	394	1,336	28	-83	-459	-215	928	-37	-1,866	8	620	593	497	81	-207	873
Mar'26	-1,333	343	-24	-311	-225	-579	-6,488	-497	-202	-2	-332	-443	-23	-501	-602	-1,357

Exhibit 2 – Monthly DII and FPI equity flows[2]



The FII ownership in last few months has been declining and has reached lowest level in more than a decade to ~15% compared to more than 20% levels in Aug 2016 while the DII holdings has been steadily increasing during this period from levels of ~10% to more than 18%.

1 JM Fin Report 2 ICICI Securities Report

Exhibit 3 – FII ownership of Indian equities[3]

Key to note that the earning trajectory has been improving over last 2-3 quarters and even 4QFY26 and FY27 have been anticipated to be normalization of earnings in the range of 12-14% yoy earnings growth. It was well encapsulated in the high frequency data that highlighted continue improvement across various segments.

Exhibit 4 – High-frequency data indicates manufacturing and construction activities picked up in recent times[4]

Consumption Indicator	Jun'25	Jul'25	Aug'25	Sep'25	Oct'25	Nov'25	Dec'25	Jan'26	Feb'26	Mar'26
Personal Loan growth	12.11%	11.86%	11.84%	11.75%	13.97%	12.76%	14.38%	15.29%	15.22%	NA
4W growth	-6.28%	1.50%	-9.05%	0.62%	15.79%	18.14%	26.84%	7.99%	7.28%	NA
2W growth	-3.36%	8.71%	7.14%	6.66%	2.15%	21.17%	39.39%	26.17%	35.16%	NA
IIP - Primary Goods	-2.50%	-0.73%	5.37%	1.34%	-0.60%	2.23%	4.38%	3.13%	1.77%	NA
IIP Consumer Goods Durables	2.83%	7.27%	3.47%	10.01%	-1.31%	11.19%	12.44%	7.23%	7.28%	NA
IIP Consumer Goods Non-Durables	-0.90%	0.54%	-6.42%	-0.34%	-5.19%	8.03%	8.51%	-2.30%	-0.61%	NA
Petrol Consumption	6.86%	5.94%	5.48%	7.94%	7.42%	2.60%	7.08%	6.14%	6.14%	NA
S&P Global India Serv PMI	60.4	60.5	62.9	60.9	58.9	59.8	58	58.5	58.1	57.5
CPI	2.10%	1.61%	2.07%	1.44%	0.25%	0.71%	1.33%	2.73%	3.21%	NA
Passenger - all airports	3.66%	-0.99%	1.03%	-0.69%	4.67%	7.05%	-2.80%	3.92%	0.50%	NA
GST Collections (INR bn)	1,846	1,957	1,863	1,890	1,959	1,750	1,791	1,993	1,888	2,001
Consumer confidence index	NA	96.46	NA	96.85	NA	98.4	NA	98.07	NA	NA

Consumption indicator (quarterly)	Sep'23	Dec'23	Mar'24	Jun'24	Sep'24	Dec'24	Mar'25	Jun'25	Sep'25	Dec'25
Private final consumption exp real	2.95%	5.69%	6.23%	8.28%	6.41%	8.15%	5.95%	7.05%	7.95%	8.69%

Industrial Indicator	Jun'25	Jul'25	Aug'25	Sep'25	Oct'25	Nov'25	Dec'25	Jan'26	Feb'26	Mar'26
Non-food credit growth (fortnightly)	9.31%	9.88%	9.90%	10.25%	11.12%	11.41%	14.04%	13.83%	14.30%	13.66%
Industry loan growth	5.87%	5.99%	6.55%	7.34%	9.98%	9.56%	13.35%	12.12%	13.54%	NA
IIP growth	1.52%	4.27%	4.12%	4.63%	0.53%	7.16%	8.04%	5.14%	5.23%	NA
Core sector growth (%)	2.20%	3.75%	6.53%	3.28%	-0.06%	2.07%	4.66%	4.72%	2.27%	NA
Power demand	-2.27%	2.60%	3.83%	3.53%	-5.82%	-0.58%	5.79%	3.78%	1.00%	NA
IIP Capital Goods	2.96%	6.75%	4.47%	5.41%	2.11%	10.12%	8.28%	4.11%	12.48%	NA
S&P Global India manufacturing PMI	58.4	59.1	59.3	57.7	59.2	56.6	55.0	55.4	56.9	53.9
WPI Commodity price index	-0.19%	-0.58%	0.52%	0.19%	-1.02%	-0.13%	0.96%	1.81%	2.13%	NA
Import Growth (%)	-3.43%	9.09%	-9.54%	17.67%	16.94%	-1.94%	8.67%	19.85%	24.12%	NA
Export growth (%)	-1.34%	13.27%	5.72%	6.03%	-12.51%	18.66%	1.29%	0.57%	-0.81%	NA
Trade Deficit (USD bn)	-19.11	-27.86	-27.20	-32.96	-41.98	-24.78	-25.26	-34.68	-27.10	NA

Industrial indicator (quarterly)	Sep'23	Dec'23	Mar'24	Jun'24	Sep'24	Dec'24	Mar'25	Jun'25	Sep'25	Dec'25
Capacity utilisation	74.0	74.7	76.8	74.0	74.2	75.4	77.7	74.1	74.3	NA
GFCF	11.71%	9.34%	6.05%	6.65%	6.70%	5.23%	9.41%	7.82%	7.33%	7.81%

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Iran US Conflict – Energy shock deserves a broader lens

The common analytical mistake is to look only at crude. The present disruption is broader because the region matters simultaneously for oil, gas, LPG, shipping lanes, freight insurance, and petrochemical feedstocks. For India, that widens the transmission channel from pump prices to power costs, working capital, import bills, hedging costs, and sentiment.

That distinction matters for policy as well. A normal inflationary phase can often be handled through demand management and calibrated pass-through. A geopolitical supply shock requires market stabilization first, supply assurance second, and only then a slower assessment of second-round inflation.

Exhibit 5 – One shock, multiple transmission channels into India

Channel	What moves first	Policy focus	Investment implication
Energy	Crude, LNG, LPG and fuel availability	Assure supply, smooth logistics, avoid panic shortages	Direct beneficiaries narrow; import users face margin risk first
Currency	Rupee depreciation, hedging demand, offshore pressure	Curb speculation, tighten FX rules, preserve orderly markets	Broad multiples compress before earnings fully adjust
Freight & trade	Shipping rerouting, insurance, transit time	Trade facilitation and working-capital support	Exporters and importers diverge more sharply
Inflation	Fuel and petrochemicals first, then second-round pass-through	Manage transmission rather than suppress all pricing	Pricing power matters more than raw growth
Confidence	FPI flows, bond yields, corporate caution	Signal macro stability and policy credibility	Balance-sheet strength rises in importance

What the RBI has done

The RBI has responded primarily through the currency and funding channel. Rather than leaning immediately on rates, it has tightened the rules around speculative foreign-exchange activity, supported market functioning, and kept targeted relief in place for exporters affected by West Asia-related disruptions.

Exhibit 6 – RBI response – from market defence to trade-flow support

RBI step	What it does	Why it matters now	Read-through
Tighter limits on banks' FX positioning	Forces unwinding of directional or arbitrage-heavy positions	Helps reduce one-way pressure on the rupee during offshore-led stress	Stability-first, not growth-sacrifice-first
Restrictions on client NDF access and rebooking of cancelled contracts	Breaks easy onshore–offshore arbitrage loops	Cuts speculative demand spillover into the domestic market	Hedging costs can rise even as the rupee stabilises
Support to orderly FX markets	Improves price discovery and curbs disorderly moves	Signals that currency weakness will not be allowed to become destabilising	Importers often use the recovery to hedge more aggressively
Extended export-credit and export-realisation relief	Lengthens credit tenure and cash realisation windows for exporters	Eases pressure on trade-linked firms facing disruption and delayed shipments	Supports external-sector resilience without broad stimulus
Policy-rate caution with focus on liquidity and guidance	Avoids overreacting to a supply shock with blunt tightening	Protects growth while reserving room for later action if inflation persists	More surgical than historical crisis playbooks

Source note: Reuters reporting on RBI foreign-exchange measures, hedging-cost impact, and export-credit relief through March–April 2026.

What the Government of India has done

The Government's response has been operational and supply-oriented. The emphasis has been on assuring petroleum product availability, managing refinery operations, easing pressure on sectors dependent on LPG and supporting trade continuity where global freight and tariff conditions have become more difficult.

Exhibit 7 – Government response: energy availability, trade flexibility and system adaptation

Government step	Mechanism	Immediate objective	Broader implication
Assurance of adequate petroleum-product availability	Coordination with oil-marketing and refining system	Reduce fears of physical shortage and panic pricing	Confidence support matters as much as physical barrels
Postponement of some refinery maintenance	Keeps more refining capacity available for domestic supply	Protects fuel availability during a volatile period	Reduces the risk of domestic supply tightness amplifying global shock
Phased restoration and additional allocation of commercial LPG	Raises supply to priority users and states in stages	Protects small business, food-service and industrial users reliant on LPG	Shows targeted rather than blanket subsidy design
Push toward PNG / city-gas transition where feasible	Links additional allocation with reform and infrastructure expansion	Reduce future dependence on LPG bottlenecks	Crisis response doubles as medium-term energy-security reform
Temporary flexibility for export-zone output to be sold locally	Allows select export units to sell domestically at reduced duty burden	Absorb global trade disruption and support domestic supply chains	Useful for sectors facing freight, tariff or route dislocation
Broader inter-ministerial monitoring and overseas preparedness	Tracks fuel, logistics and citizen support issues together	Contain spillovers early rather than react late	Signals administrative readiness during a fluid shock

Impact on Fiscal so far seems limited

Exhibit 8 – Potential fiscal slippages and center's provision for offsetting the slippages in FY2027 (Rs bn) [5]

	Optimistic scenario	Base scenario	Adverse scenario
Center's revenue loss	1,100	3,050	3,300
- Fertilizer subsidy	–	1,000	1,000
- LPG subsidy	–	400	650
- Excise duty cut	1,100	1,650	1,650
Offsetting factors	1,106	2,906	2,588
- Economic Stabilization Fund	300	1,000	1,000
- Increase in RBI's surplus transfer	250	250	250
- Potential expenditure switches	–	1,100	1,100
- Drinking water and sanitation	–	500	500
- Telecom infrastructure (Bharatnet)	–	200	200
- Capital infusion in BSNL	–	200	200
- Research, development and innovation	–	200	200
- Export excise duty hike	556	556	238
Net fiscal slippage	**-6**	**144**	**712**
Revised GFD/GDP with fiscal slippage (%)	**4.3**	**4.3**	**4.5**
Effect of lower nominal GDP (%)	**0.1**	**0.1**	**0.1**
Estimated FY2027 GFD/GDP (%)	**4.4**	**4.4**	**4.6**

Source note: PIB and Reuters updates through early April 2026 on petroleum availability, LPG allocation changes, SEZ domestic-sale flexibility and related preparedness steps.
5 Kotak Securities Report

The Gas Chokepoint - West Asia War & Its Impact on Indian Industries

The US-Israel attack on Iran (February 28, 2026) and Iran's subsequent closure of the Strait of Hormuz have precipitated the most severe global energy supply disruption in recent memory. While crude oil has drawn attention, the natural gas and LNG dimension poses a more acute threat to Indian industries. India has ~25 days of strategic crude reserves and has diversified 70% of oil imports to non-Hormuz routes. In stark contrast, India has virtually no strategic LNG reserves and over 50% of LNG imports transit through Hormuz. The crisis deepened on March 18 when Iran's missile attack on Qatar's Ras Laffan facility destroyed 17% of Qatar's LNG export capacity for up to five years, converting a temporary shipping disruption into a medium-term structural deficit.

1. India's Natural Gas Import Profile

India consumed ~195 MMSCMD of natural gas in FY25 (~65-70 bcm annually). Domestic production meets ~50%; the balance is imported LNG (~27 MT in FY25, making India the world's 4th-largest LNG importer). The IEA projects imports doubling to ~65 bcm/year by 2030

The Strait of Hormuz, a 33-km wide passage between Iran and Oman, carries approximately 20% of global LNG trade. Qatar and the UAE, whose LNG exports are almost entirely routed through Hormuz (93% and 96% respectively), together represent nearly 20% of global LNG exports. There are no scalable alternative pipeline or maritime routes for Qatari or Emirati LNG to reach global markets.

Qatar alone supplies 40-47% of India's LNG imports (anchored by Petronet LNG's 7.5 MMTPA Ras Laffan contract). Including UAE and Oman, ~50-60% of India's LNG transits Hormuz. Unlike crude (25 days strategic reserve), there is no strategic LNG reserve — the single most important structural gap in India's energy security.

2. Sector-Wise Natural Gas Usage in India

Natural gas serves dual roles across Indian industry: as fuel (providing heat, power, or motive energy) and as feedstock (a chemical raw material transformed into other products). This distinction is critical because feedstock users face irreplaceable input dependency, while fuel users have partial fuel-switching optionality.

Sector	Share of Gas	Primary Use	Key Products / Sub-sectors
Fertilisers	30-35%	Feedstock	Urea (ammonia via Haber-Bosch), DAP, NPK complexes
City Gas (CGD)	~20%	Fuel	CNG (transport), PNG (household cooking, commercial kitchens, SME industry)
Power Generation	~15%	Fuel	Gas turbine power plants (peaking power, grid balancing)
Refineries	~10%	Fuel + Feedstock	Hydrogen production, desulphurisation, process heat, petrochemical integration
Petrochemicals	~8%	Feedstock + Fuel	Methanol, ethylene, propylene, polymers, solvents
Other Industries	~12%	Fuel (primarily)	Ceramics/tiles, glass, textiles, steel (DRI), auto manufacturing, sponge iron

Among feedstock users, fertilisers dominate – gas is the primary raw material for urea comprising 70%+ of production cost; India produced ~30 MT of urea in FY25 against ~40 MT demand, consuming ~32 MMSCMD of gas. Petrochemicals and methanol production (90% import-dependent) similarly rely on gas as a starting material for plastics, PET, adhesives, and solvents. Refineries use gas for hydrogen production, desulphurisation, and increasingly for integrated petrochemical operations.

Among fuel users, City Gas Distribution (CGD) is the fastest-growing segment (12% CAGR, FY16-24), supplying CNG for transport and PNG for households and SMEs. Ceramics and glass manufacturing – particularly the Morbi cluster in Gujarat (Rs 750 billion industry, ~80% of India's output) – depend on gas and propane for continuous high-temperature kiln operations and have been among the most acutely affected, with ~550 factories halting production in mid-March.

Secondary cascades (per Jefferies, March 23): Methanol (+65%, 90% imported), sulphur/sulphuric acid (+80%, 57% imported), VAM (+25%, 100% imported), bromine (+100% y/y, 75% imported). These feed into plastics, PET, paints, adhesives, refrigerants, and crop protection — amplifying a single chokepoint into a multi-industry cost shock.

3. Impact Analysis: Inventory, Pricing & Margins

3.1 LNG Price Trajectory

LNG prices: JKM spot surged from ~$10/MMBtu (pre-war) to ~$25 peak, currently ~$20 (+100-140% above pre-war). Domestic spot LNG at Rs 100-110/scm vs contracted gas at Rs 40/scm — a 3x premium. Tanker freight doubled; war-risk insurance spiked 12-fold. Government rationing (March 9): PNG/CNG at 100% supply; industrial at up to 80%; fertiliser at 70%; power on reduced priority. GAIL cut industrial supply by 50% in Gujarat.

3.2 Sector-Wise Impact Assessment

Sector	Severity	Key Points
Fertilisers	Severe	70% gas allocation; urea stocks 6.2 MT vs 18-19 MT Kharif need; stress from July; subsidy bill +25%
CGD	High	Pooled pricing squeeze (Rs 40 vs Rs 100-110/scm blending); Gujarat Gas force majeure; industrial volumes cut
Ceramics/Tiles	Severe	Morbi shut ~1 month; ~550/900 factories halted; 80% large units idle; shutdown until at least Apr 15
Chemicals	Moderate-High	Crop protection insulated (PI, NFIL); SRF packaging hit (PET +38%); refgas margins pressured
Paints/Adhesives	Moderate	VAM +25%, methanol solvents elevated; 1-2 quarter pass-through lag for Asian Paints, Berger, Pidilite
Glass / Power	Mod-High	Glass: continuous furnaces at risk; Power: low PLF but peaking demand rising into summer

The West Asia gas crisis exposes a structural vulnerability in India's energy architecture that goes well beyond temporary shipping disruptions. The Ras Laffan attack on March 18 converted a short-term supply squeeze into a medium-term structural deficit that will reshape LNG markets and Indian industrial operations for multiple quarters, regardless of how quickly the conflict itself is resolved.

Inflation is a friend for businesses and equity markets

Inflation in India has historically coincided with strong equity market and corporate earnings performance, particularly when it remains within a moderate range. Higher inflation typically lifts nominal GDP growth, enabling revenue expansion and operating leverage across sectors. Periods such as 2003–08, 2009–11, and 2020–23 saw robust gains in the BSE Sensex and Nifty 50, supported by earnings acceleration. Cyclical sectors—including commodities, financials, and capital goods—tend to outperform in such environments. While elevated inflation may compress valuations, strong nominal earnings growth has historically offset this effect. Overall, moderate inflation has acted as a tailwind for Indian equities rather than a headwind.

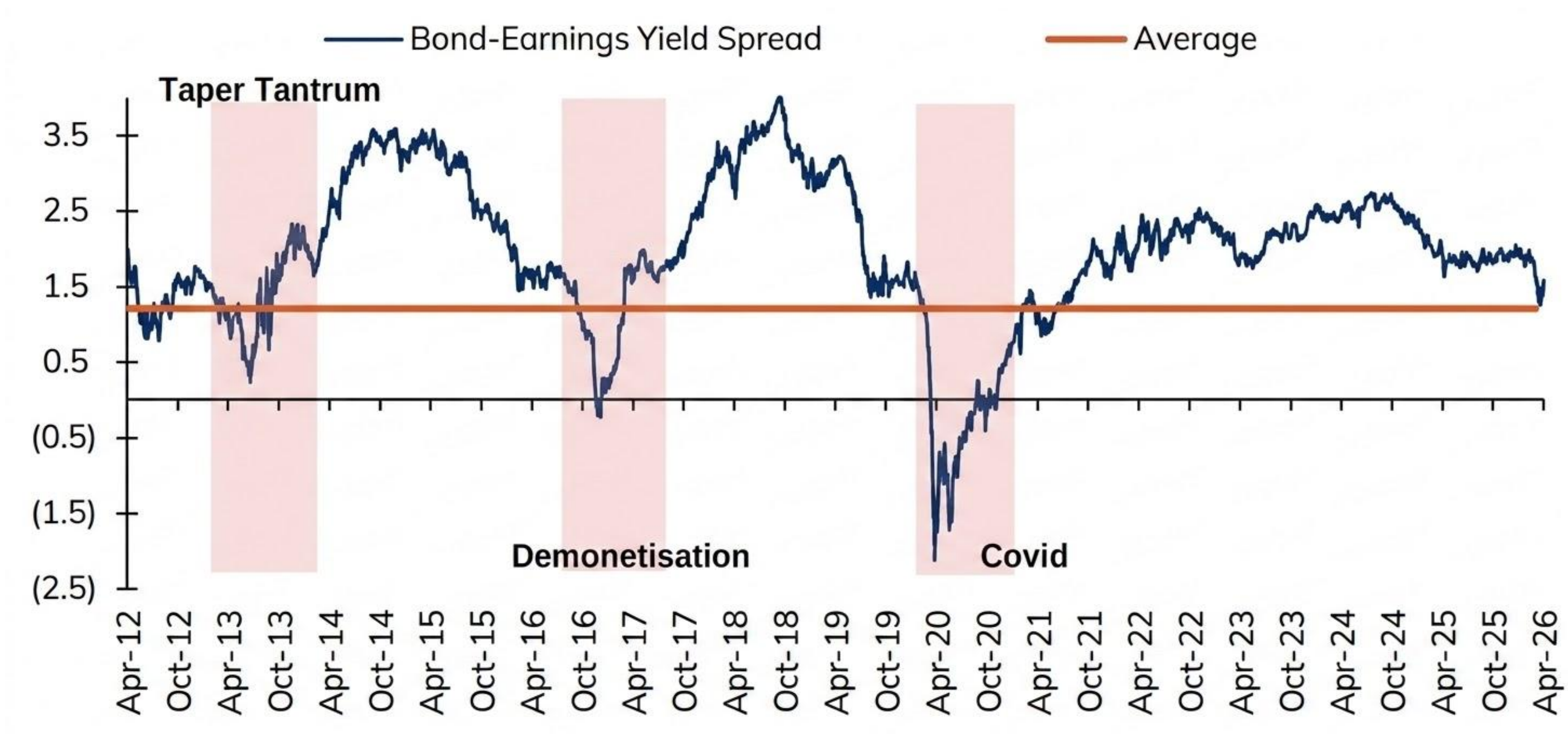
Inflation vs Market Performance

Period	Avg Inflation (CPI/WPI)	Nominal GDP Growth	Market Performance	Key Drivers
2003–2008	~5–7%	~12–15%	BSE Sensex ~6x	Commodity boom, capex cycle
2009–2011	~8–10%	~14–16%	Nifty 50 strong recovery (~2x from lows)	Global reflation, liquidity
2020–2023	~5–7%	~10–15%	Nifty 50 new highs (~80–100% from COVID lows)	Liquidity, earnings rebound

Market Outlook – valuation comfort emerging but uncertainty on Earnings growth is concern

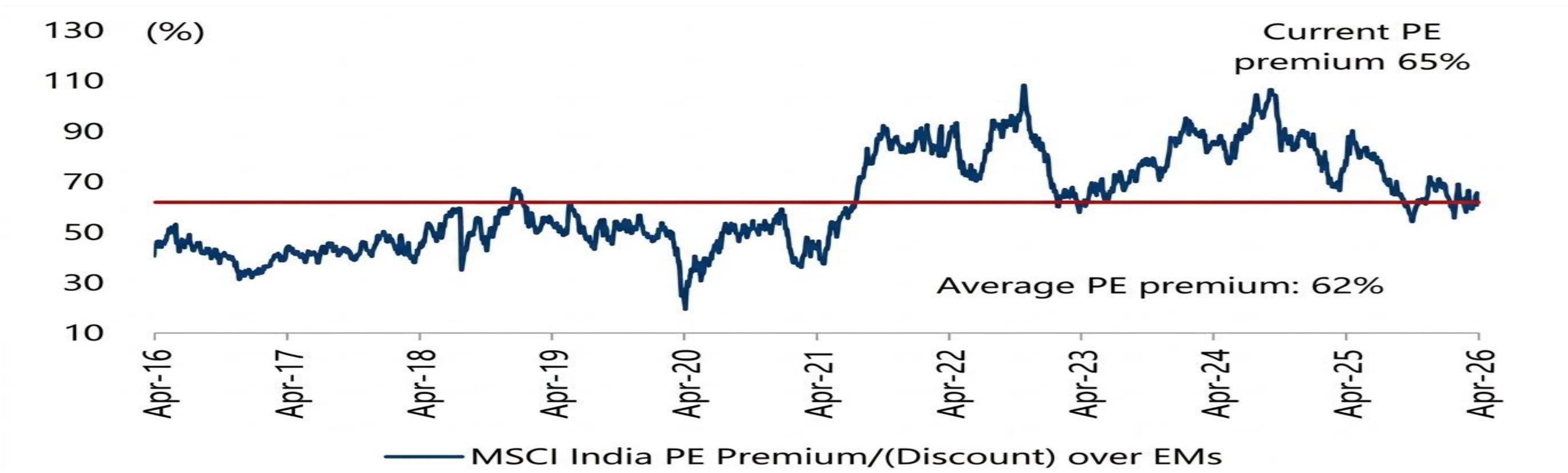
Relative valuation of Indian equities to bonds has narrowed to long-term average levels, which could trigger a relative attractiveness signal for equities in hybrid portfolios.

Exhibit 9 – Hybrid models likely to signal increased weightage to equities as bond – earnings yield spread reduces [6]



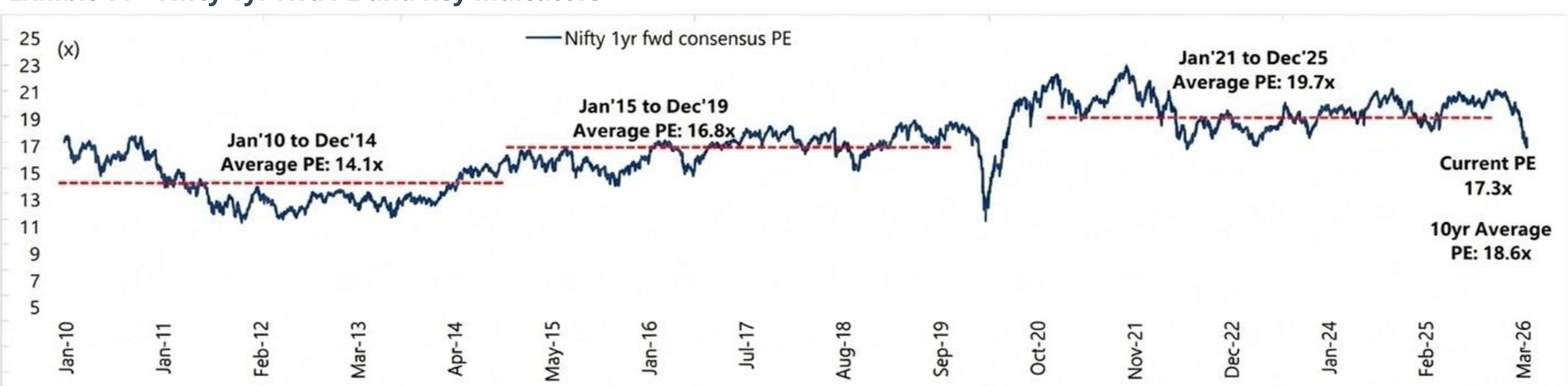
6 ICICI Securities Report

Exhibit 10 – India's valuation premium to EMs is also approaching average valuations levels [7]



Recent market correction has brought the Nifty 12-m forward P/E multiple to ~17x, i.e., close to the pre-Covid (Jan'15-20) average and the recent rebounded in Nifty brings its valuation to ~18.5x (~5% discount to the last 5 years). While EPS cuts of 2–4% are possible for Mar'27, large cuts for Mar'28 appear unlikely.

Exhibit 11 – Nifty 1yr fwd PE and key indicators [7]



	Metrics	Jan'10 to Dec'14	Jan'15 to Dec'19	Jan'21 to Dec'25	Apr'16 to Mar'26
Market performance (CAGR)	Nifty 50	10%	8%	13%	11%
	Nifty Midcap / smallcap				
Relative performance	Midcap / smallcap	11%/9%	6%/2%	24%/20%	15%/12%
	MSCI India vsMSCI EM(USD terms)	Outperformance+9ppt	Outperformance+3ppt	Outperformance+47ppt	Outperformance+27ppt
Nifty earnings CAGR (%)		8.00%	4.20%	16.80%	10.70%
Nifty avg. RoE (%)		16.20%	14.00%	14.40%	14.10%
Avg. PE		14.1x	16.8x	19.7x	18.6x
India Real GDP growth		7.60%	6.90%	7.90%	6.00%
CPI Inflation (avg. annual)		9.40%	4.20%	4.90%	4.70%
Bond yields (avg.)		8.20%	7.30%	6.80%	6.80%
Bond yield gap (avg.)		1.0ppt	1.3ppt	1.7ppt	1.4ppt
INR/USD (avg. annual)		Depreciate 6%	Depreciate 2%	Depreciate 4%	Depreciate 3%
Crude oil prices (avg. USD/bbl)		102	58	80	69

7 Jefferies Report

QUEST AIF SASR-II NEWSLETTER
APRIL 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:	13th Sep 2023
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.

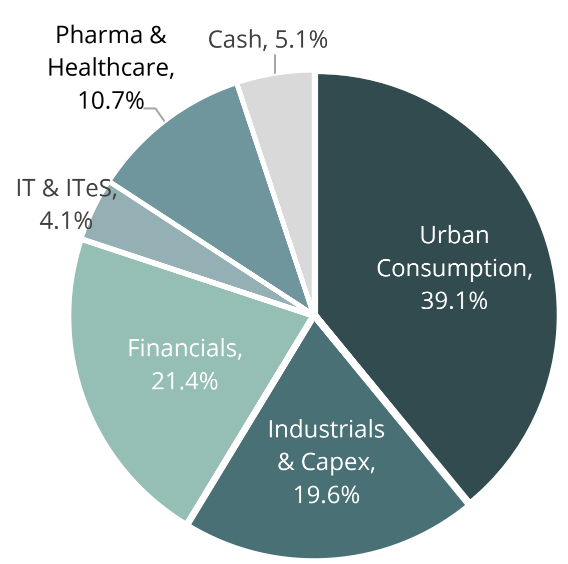
PERFORMANCE SUMMARY POST TAXES

(As on 31st March 2026)

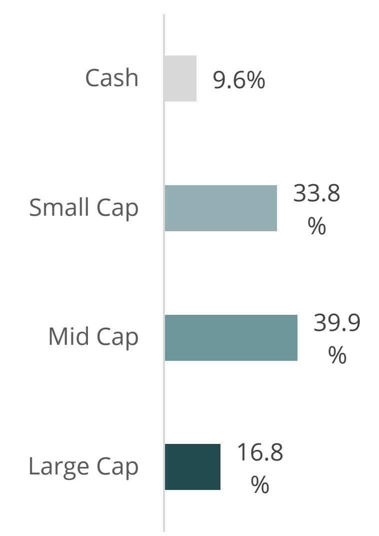
Particulars	3 Months	6 Months	1 Year	Since Inception (13/9/2024)
Quest SmartAlpha– Sector Rotation-II AIF (A1Class shares)	-12.81%	-13.52%	-4.11%	-11.43%
Quest SmartAlpha– Sector Rotation-II AIF (A2Class shares)	-12.78%	-13.65%	-3.24%	-11.67%
Quest SmartAlpha– Sector Rotation-II AIF (A3Class shares)	-12.46%	-12.19%	-3.40%	-5.80%
Nifty 500	-14.01%	-9.70%	-3.80%	-9.41%

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

Thematic Allocation



Market Capitalization



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Holdings as on 31st March 2026

Company Name	Weightage (%)
Vishal Mega Mart Limited	7.21%
TVS Holdings Limited	6.37%
Hitachi Energy India Limited	6.28%
Sansera Engineering Limited	5.87%
One 97 Communications Limited	5.18%
Cash and Equivalent	5.10%
Swiggy Limited	4.86%
Chemplast Sanmar Limited	4.51%
Bharti Airtel Limited	4.44%
BSE Limited	4.07%
Biocon Limited	3.94%
Eternal Limited	3.80%
Viyash Scientific Limited	3.42%
Piramal Pharma Limited	3.34%
Axis Bank Limited	2.99%
Avalon Technologies Limited	2.97%
City Union Bank Limited	2.81%
Persistent Systems Limited	2.55%
Tata Capital Limited	2.43%
ITC Hotels Limited	2.26%
Samhi Hotels Limited	2.13%
PCBL Chemical Limited	2.01%
S H Kelkar and Company Limited	2.00%
ICICI Prudential Asset Management Company Limited	1.98%
AU Small Finance Bank Limited	1.96%
Oracle Financial Services Software Limited	1.56%
EPACK Durable Limited	1.45%
M & B Engineering Limited	1.41%
LG Electronics India Limited	1.11%

SUMMARY FINANCIALS OF INVESTEE COMPANIES

Company Name	Revenue CAGR FY25-27(E)	PAT CAGR FY25-27 (E)	FY 26 PE (E)
Vishal Mega Mart Limited	18.80%	26.95%	73.77
TVS Holdings Limited	13.49%	39.18%	15.21
Hitachi Energy India Limited	31.74%	92.44%	74.05
Sansera Engineering Limited	16.94%	41.50%	36.86
One 97 Communications Limited	23.93%	L2P	133.79
Swiggy Limited	39.61%	-16.94%	NEG
Chemplast Sanmar Limited	7.97%	L2P	NEG
Bharti Airtel Limited	17.60%	11.73%	42.43
BSE Limited	44.02%	60.92%	49.91
Biocon Limited	14.91%	L2P	110.30
Eternal Limited	127.84%	93.55%	1,151.23
Viyash Scientific Limited	15.11%	155.17%	111.75
Piramal Pharma Limited	4.14%	51.18%	NEG
Axis Bank Limited	10.79%	11.30%	16.11
Avalon Technologies Limited	33.86%	56.21%	57.15
City Union Bank Limited	22.76%	18.56%	15.24
Persistent Systems Limited	20.45%	26.51%	51.23
Tata Capital Limited	20.60%	36.16%	29.88
ITC Hotels Limited	10.88%	25.64%	52.73
Samhi Hotels Limited	14.68%	74.06%	21.03
PCBL Chemical Limited	5.00%	2.51%	48.83
S H Kelkar and Company Limited	11.95%	-8.81%	26.03
ICICI Prudential Asset Management Company Limited	24.02%	20.09%	40.04
AU Small Finance Bank Limited	19.86%	30.93%	28.04
Oracle Financial Services Software Limited	10.29%	8.92%	27.04
EPACK Durable Limited	9.75%	5.25%	82.88
M & B Engineering Limited	24.41%	40.41%	19.51
LG Electronics India Limited	7.74%	1.77%	55.31

INVESTMENT RATIONALE AND SWOT

AVALON TECHNOLOGIES

Primer

- Avalon Technologies Ltd (Avalon) is a well-established leader in the Electronics Manufacturing Services industry, recognized for its manufacturing excellence. Avalon specializes in building complex products and serves a wide range of industries worldwide, offering solutions that span from individual product capabilities to complete system integration, with a strong focus on design-for-manufacturing and assembly for our customers.
- Avalon's manufacturing strength is built on a hybrid footprint of 15 world-class facilities across India and the United States. Avalon has a long-standing presence in the US, reflecting its commitment to serving customers with speed, proximity, and reliability.
- Avalon's fully integrated operations, diversified customer base, and end-to-end capabilities – from design handoff to final product – position us strongly to benefit from the structural tailwinds in the EMS sector.

Investment Thesis

- **Broad Product Portfolio:** Avalon is known for delivering a wide range of customised, high mix EMS solutions tailored to global OEMs. It is a preferred partner for managing complex product assemblies. Avalon focuses on precision led, complex manufacturing with integrated services to capture a larger share of the value chain. It has a presence across multiple sectors: mobility, clean energy, medical devices, industrials, communications, and IT hardware thus reducing dependence on any single vertical.
- **One-Stop Solution for EMS:** Avalon provides various services such as PCB design and assembly, cable assembly, wire harness, sheet metal fabrication, sheet metal machining, plastic injection moulding, magnetics, electro-mechanical integration, which allows the company to offer end-to-end box build solutions. Avalon is an integrated end-to-end solutions provider. Its emergence as a one-stop solution for customers has powered sustained growth and value creation journey over the years, positioning Avalon as a leading player in India's EMS space.
- **Leadership in Flexible Manufacturing:** Manufacturing presence in both India and the U.S. offers strategic advantage. U.S. facilities serve as a gateway to U.S.-centric customers, while Indian operations provide cost competitiveness. This dual-shore model reduces logistical complexities, supports regional compliance, and mitigates geopolitical risks.

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
Avalon offers integrated electronics manufacturing services including PCB design, cable assemblies, magnetics, sheet metal fabrication, and complete box-build solutions	Demand from sectors such as industrial electronics, EVs, and aerospace can be cyclical and dependent on global capital expenditure cycles	Global companies are diversifying supply chains away from China, creating strong growth opportunities for Indian EMS players like Avalon to capture export orders	A significant portion of Avalon's revenue is export-linked, making profitability sensitive to currency fluctuations
Avalon serves global OEM customers, with a significant portion of revenue coming from North America. The company supplies to leading global technology and industrial firms	Operating in high-reliability, low-volume segments results in higher customization costs, and lower throughput per production line	India's EMS sector is expanding rapidly, supported by government initiatives such as Production Linked Incentive Scheme, which incentivizes local production	Continuous technology upgrades and evolving electronics standards require ongoing capital investment and R&D spending

INVESTMENT RATIONALE AND SWOT

M & B ENGINEERING LTD

Primer

- M&B Engineering Ltd is one of India's leading players in Pre-Engineered Buildings (PEB) and Self-Supported Roofing (SSR) solutions through its two brands – Phenix and Proflex. It operates integrated manufacturing facilities at Sanand (Gujarat) and Cheyyar (Tamil Nadu), along with multiple mobile manufacturing units for roofing solutions.
- The company has a strong domestic and export footprint with operations spanning 23 countries, including the US, Canada, Brazil, South Africa, Qatar, Sri Lanka, Morocco, Nigeria, Kenya and Seychelles. Sanand is India's only PEB facility with AISC certification, a key requirement for US projects, and also holds CWB approval for Canada exports.
- M&B serves 2,000+ customer groups across sectors such as industrials, warehousing, auto, pharma, railways, infrastructure and food processing. Repeat customers contributed 57.3% of FY25 revenue, reflecting strong customer stickiness.

Investment Thesis

- **Structural growth in PEB & roofing markets:** Rising adoption of steel buildings over RCC structures due to faster execution, lower lifecycle costs and scalability is expanding the addressable market. Growth sectors include warehousing, industrial capex, logistics, railways, renewables and data centers.
- **Healthy order book gives strong revenue visibility:** Order book of ₹1,059 crore (~0.85x FY26 guided revenue) along with Q3 inflows of ₹480 crore (+86% YoY) provide strong near-term visibility. Management has guided FY26 revenue of ~₹1,250 crore with EBITDA margin of ~12.75%.
- **AISC + CWB certifications: a durable moat.** India's only AISC-certified PEB plant (Sanand) enables access to the US market, where realizations are ~₹2,10,000/MT vs. ₹1,10,000/MT domestically. MBEL secured its single largest export order of ₹212 crores during Q3FY26 from the US, and is initiating AISC approval for the Cheyyar (Tamil Nadu) plant to address the US West Coast.
- **Exports can structurally improve margins:** Export revenues doubled to ₹120 crore in 9MFY26 (+107% YoY). Company secured its largest-ever export order of ₹212 crore from the US in Q3FY26. Export mix expansion should aid profitability as export realizations and margins are superior to domestic projects.
- **Capacity expansion to drive FY27+ growth:** Sanand expansion of 20,000 MTPA expected by Q2FY27; Proflex adding 3 lakh sqm annual capacity through imported lines. This creates room for strong higher-teen growth in FY27, as indicated by management.

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
One of India's leading PEB players with dual brands **Phenix + Proflex**	Working capital intensive project business with execution-linked cash flows	Rising adoption of PEB over RCC in India across industrial and infra sectors	Intense competition from organized + regional PEB fabricators
Strong order book of **₹1,059 crore** with diversified segment mix	Domestic business still forms majority revenue; exports yet to scale materially	US / Canada / EU export expansion supported by certifications	Global tariff changes / trade barriers may hurt exports
India's only AISC-certified PEB plant enabling US exports	Dependence on project pipeline/order conversion for growth continuity	Capacity expansion in Sanand + Proflex to support FY27/FY28 growth	Delay in industrial capex / slowdown in private investment cycle
Deep repeat customer base: 2,000+ customer groups; repeat customers = 57% of FY25 revenue; 15+ year relationships with select clients		Warehousing, railways, renewables, food parks, cold chain, data centers	Currency fluctuations impacting export competitiveness

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. ▪ During the quarter under review, no event of default was reported by any investee company.
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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