



OCTOBER 2026

Agile with Growth. Patient with Value.

QUARTERLY PORTFOLIO UPDATE

The quarter ended September 2026 marked a continuation of the portfolio calibration undertaken over the last few months. Quest Flagship strategy delivered a return of 4.51% during the quarter, compared with -3.59% for the BSE 500 TRI, translating into outperformance of 8%. Over six months, the portfolio returned 28.2% versus 8.07% for the benchmark, while the one-year return stood at -1.77% versus -2.33%.

Our approach remains unchanged: build a high-conviction portfolio around businesses where we see a combination of improving earnings, competitive advantage, credible management execution and attractive risk-reward, while remaining willing to recalibrate positions as facts and opportunities evolve.

Performance snapshot

	3 Months	6 Months	1 Year	Since Inception
Quest Flagship	4.51	28.21	-1.77	15.21
BSE 500 India TRI INR	-3.59	8.07	-2.33	10.05

*Returns are as on the 30th September 2026. For periods below one year, returns are absolute; returns for two years and above are annualised.

Portfolio Changes During the Quarter

During the quarter, we continued to recalibrate the portfolio based on our evolving assessment of business fundamentals, earnings visibility, valuation comfort and relative risk-reward.

We initiated positions in CG Power & Industrial Solutions and ZF Commercial Vehicle Control Systems India. Both additions reflect our preference for businesses where we see a favourable combination of structural industry tailwinds, improving earnings visibility and strong competitive positioning.

At the same time, we exited Home First Finance Company India and HDFC Bank. These exits should not necessarily be viewed as a negative assessment of the underlying businesses; rather, they reflect our ongoing effort to reallocate capital towards opportunities where we see a more attractive medium-term risk-reward.

Company	Action
ZF Commercial Vehicle Control Systems India Ltd	New Buy
CG Power and Industrial Solutions Ltd	New Buy
Home First Finance Company Limited	Exited
HDFC Bank	Exited

What worked

Performance during the quarter was led by Technology, Industrials & Healthcare. The breadth of these contributors is important. They span industrial equipment, digital platforms, pharma, electronics manufacturing and IT services rather than representing one dominant sector call. This reinforces our view that in the current environment, business selection and execution are increasingly more important than broad sector positioning.

Eternal continued to benefit from the structural growth opportunity across its underlying platforms, while One97 Communications gained as improving operating metrics strengthened confidence in the business model. Piramal Pharma continued to benefit from an improving operating trajectory.

Within technology, Coforge contributed positively despite a still-selective environment for the broader IT sector, while Avalon Technologies benefited from improving fundamentals and the structural opportunity around electronics manufacturing and supply-chain diversification.

GMM Pfaudler was another meaningful contributor during the quarter and, importantly, also highlighted the value of patience backed by a deeper understanding of the business. The stock had gone through a period of weak performance, but our continued work on the underlying business, and medium-term earnings potential gave us the conviction to stay invested rather than react to near-term price weakness. The subsequent recovery reinforces an important part of our process: patience works best when it is supported by differentiated research and conviction in the fundamentals.

We continue to see encouraging outcomes from some of the portfolio changes made earlier in the year. Avalon and Coforge, both introduced during the portfolio realignment, were meaningful contributors during the quarter. The outcome is supportive, although our assessment of these investments continues to be based on the medium-term business thesis rather than near-term price performance.

What did not work

The main pressure during the quarter came from select consumer discretionary, utilities and financial holdings.

At the stock level, Viyash Scientific, Vishal Mega Mart, Trent and SAMHI Hotels were among the larger detractors. These businesses were affected by a combination of near-term operating concerns, valuation adjustments and weaker sentiment towards select consumption-oriented businesses.

Siemens Energy India also corrected after a period of strong performance, while some financial holdings, including Tata Capital and HDFC Bank, weighed on returns during the quarter.

Other holdings such as Bharti Airtel, ICICI Prudential AMC and Chemplast Sanmar were relatively softer. Importantly, we continue to differentiate between temporary earnings or valuation pressure and a structural deterioration in the investment thesis. Short-term stock-price movements alone do not determine portfolio action. Where our assessment of business fundamentals and medium-term opportunity remains intact, we are willing to be patient; where the risk-reward changes materially, we remain prepared to reallocate capital.

Current Positioning & Way Ahead

The portfolio continues to remain diversified across Consumer Discretionary, Healthcare, Industrials, Information Technology, Financials, Materials and Communication Services. As of September-end, Consumer Discretionary remained the largest sector exposure, followed by Healthcare, Industrials, Technology and Financials.

The largest holdings include Eternal, Piramal Pharma, Coforge, Viyash Scientific, Kalpataru Projects, Avalon Technologies, City Union Bank, Vishal Mega Mart, SAMHI Hotels and One97 Communications. The top ten holdings account for a little over half of the portfolio, reflecting a portfolio that is concentrated enough for individual stock selection to matter, while remaining diversified across businesses and sectors.

From a market-cap perspective, the portfolio currently has meaningful exposure across the spectrum, with roughly half of the portfolio invested in small and mid-cap companies combined with a meaningful allocation to larger businesses. This gives us the flexibility to participate in emerging businesses with significant growth potential while retaining exposure to companies offering scale, liquidity and earnings visibility.

This bottom-up opportunity set has also been an important driver behind our recent launch of a dedicated Small & Mid Cap Strategy. We believe this segment continues to offer a broad universe of businesses that can benefit from formalisation, manufacturing, premiumisation, financial deepening and improving management execution. Importantly, our approach here remains the same identify businesses where earnings can compound sustainably and where valuations offer an attractive risk-reward.

For Quest Flagship strategy the portfolio remains benchmark-agnostic and conviction-led. Position sizing continues to reflect our assessment of business quality, earnings visibility, balance-sheet strength, valuation comfort and downside risk. Our focus remains on building portfolios through bottom-up stock selection, valuation discipline and patient ownership of businesses where our conviction is backed by fundamentals and execution.

Presenting Quest Small & Midcap Strategy

We recently launched the Quest Small & Midcap Strategy, a selective, research-led strategy focused on identifying high-quality opportunities across India's small- and mid-cap universe. The strategy is built around the same core investment philosophy that underpins our broader equity approach - **"Agile with Growth. Patient with Value."**

The aim is to selectively identify companies where valuation reset, earnings resilience, pricing power and active stock selection can create a favourable medium-term risk-reward. The current portfolio reflects a **diversified, bottom-up Small & Midcap approach**, with exposure spread across 22 businesses and 16 sectors. The portfolio is currently around 90% invested, with an average market capitalisation of roughly ₹22,000 crore and a weighted-average market capitalisation of about ₹24,500 crore. Around 30% of the portfolio is invested in companies below ₹10,000 crore market cap, while another 29% sits between ₹10,000–30,000 crore, 9% of portfolio is in companies with market cap greater than ₹50,000 & no company in the portfolio has market cap higher than ₹65,000. This gives us a good balance between emerging businesses with meaningful runway and more established mid-sized companies with stronger scale and liquidity.

Sectorally, the portfolio is deliberately diversified. The largest exposures are to Pharma, Building Materials, Auto Ancillaries and Specialty Chemicals, complemented by opportunities across Cables & Wires, Infrastructure, Banks/NBFCs, Hospitals, Hotels, Retail, Metals, Packaging, Telecom and select consumption-oriented businesses. The portfolio therefore reflects the core philosophy of the strategy: **a selective portfolio of businesses where earnings improvement, business recovery, structural growth and valuation comfort can come together**. This is consistent with the strategy's focus on business recovery, growth at a better price and emerging quality.

THEME FOR THE QUARTER: CONSUMPTION

India's consumption story is entering a new phase. Private consumption, the single largest engine of the economy, stood at INR 49.08 lakh crore in Q1 FY27, accounting for 55.6% of GDP.¹ Supported by several prevailing enablers like GST rationalisation, income tax relief and lower interest rates, India is poised to capture one in eight incremental global consumption dollars over the next five years² The opportunity is expected to benefit organised retailers, e-commerce and quick-commerce platforms, consumer durables manufacturers, and premium brands.

The scale of spending

Household consumption driving India's growth: After a period of moderation post-Covid, consumption reaccelerated in 2025. Private consumption growth rose to ~10.5% in 2025 from ~8% during 2022–24 while real private consumption grew 7.7% and household vehicle registrations rose 17.4%.³ In Q1 FY27, real private consumption grew a steady 7.1%, even as investment took the lead with 11.9% growth.⁴ Spending has also broadened across the country. Average Monthly Per Capita Consumption Expenditure (MPCE) has nearly tripled in rural India and grown ~2.7x in urban India since 2011-12, while the urban-rural gap has narrowed from 84% to 70%.⁵

Why is consumption important now?

The policy push: After years of supply-side reform, policy has pivoted firmly towards the consumer. GST rates were cut from 22 September 2025, lowering prices by 6–7% for lifestyle products and 7–8% for large appliances, while personal income tax relief added USD 10–12 billion of annual disposable income.⁷ The impact was visible almost immediately - festive retail sales grew ~25% YoY during the October 2025 Diwali sales, compared with ~15% in 2024.⁸ Lower inflation and cheaper credit have further improved household purchasing power.

The channel shift: Where India shops is changing as fast as what it buys. In Apr–Jun 2026, traditional trade volumes fell 6%, while modern trade grew 17.5% and e-commerce grew 34.8%.⁹ Quick commerce has scaled to USD 10–11 billion in GMV and is projected to reach USD 65–70 billion by 2030, contributing 45–50% of incremental e-retail GMV.¹⁰ As a result, organised and digital channels are fast becoming the most important gateway to the Indian consumer. Interestingly, a recent study by NIQ³ (at a pan-India level) reveals that e¹⁰ commerce now accounts for 7% of FMCG sales nationally (somewhat edging into the traditional kirana store domain), narrowing the gap with modern trade. In the top eight metros, e-commerce's share has already reached 21%.¹¹

Exhibit 1: Per capita spending has risen sharply across rural and urban India⁶

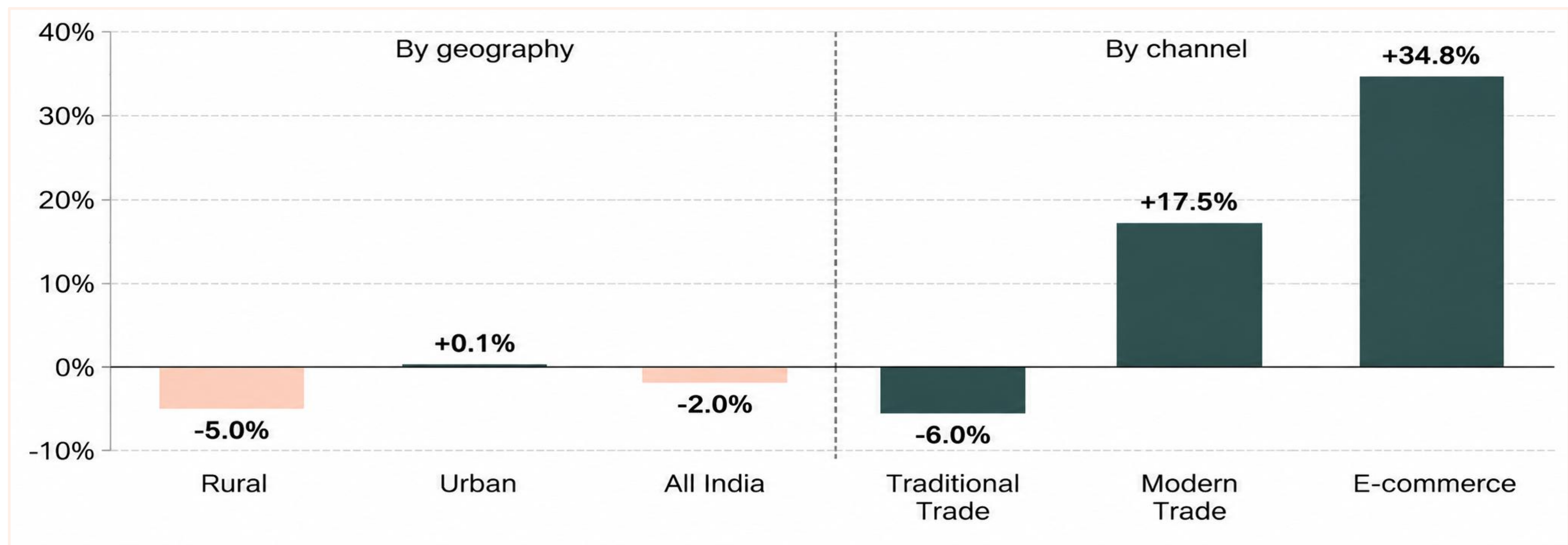
Year	Rural MPCE (INR/month)	Urban MPCE (INR/month)	Urban–Rural Gap
2011–12	1,430	2,630	84%
2022–23	3,773	6,459	71%
2023–24	4,122	6,996	70%

1. [PIB Gov Press Release](#) 2. [Bain & Co](#) 3. [PIB Gov Press Release](#) 4. [PIB Gov Press Release](#) 5. [MOSPI](#) 6. [MOSPI](#) 7. [Bain & Co](#) 8. [Bain & Co](#) 9. [NielsenIQ](#) 10. [Bain & Co](#) 11. [NielsenIQ](#)

Premiumisation and organised retail – the bastion of growth

India is not just consuming more; it is consuming better. Household spending is shifting away from staples towards mobile phones, automobiles, rent, eating out and education, while premium categories continue to outgrow mass segments.¹² Legacy categories such as FMCG are growing at ~5–10%, whereas digital-first categories such as OTT, e-commerce and quick commerce have seen 40–95% growth trajectories.¹³

Exhibit 3: Consumption shifts toward organised channels (Apr–Jun 2026, volume growth YoY)¹⁴



The two-speed problem

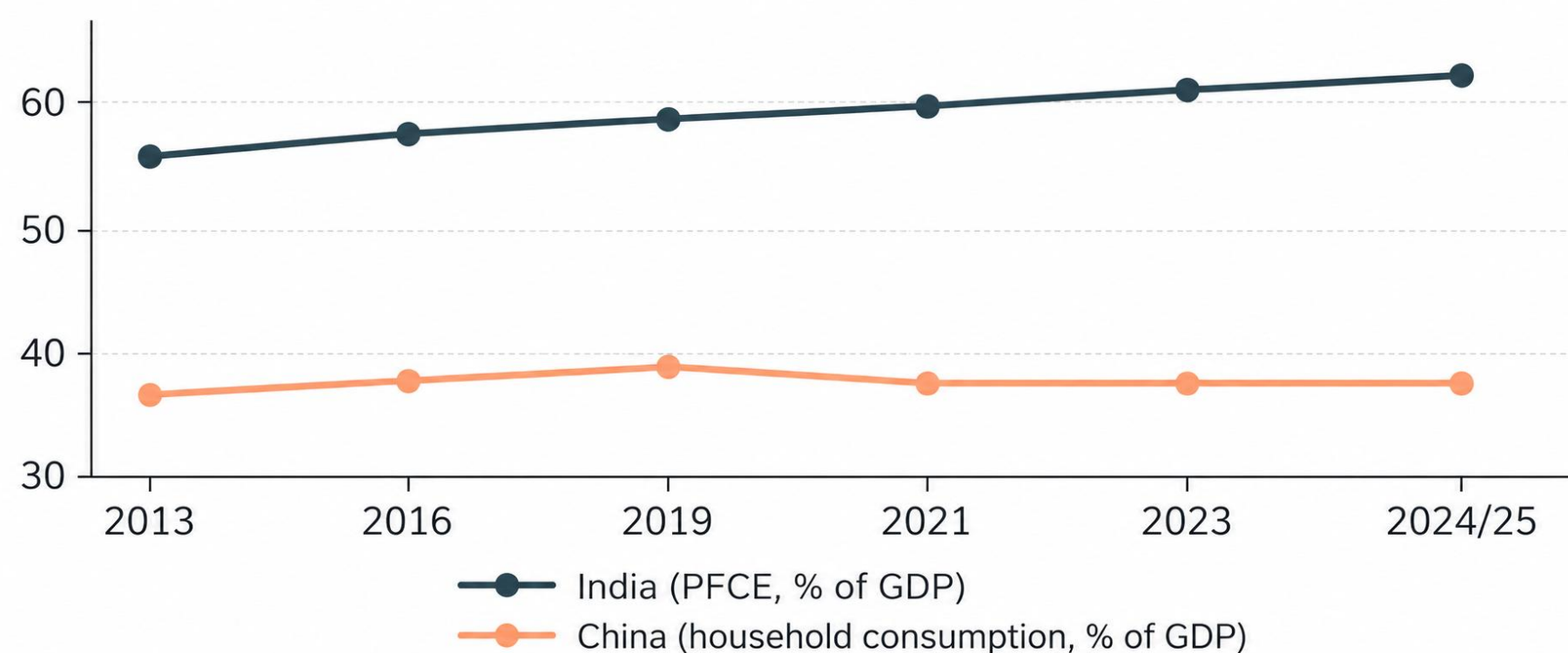
The recovery, however, is not evenly spread. Incomes of urban affluent households have grown at **~18% CAGR**, compared with only ~6% for the broader urban mass segment.¹⁵ In Apr–Jun 2026, FMCG volumes fell 2% YoY: rural volumes declined 5% while urban volumes were flat, as higher fuel and input costs, a 40% June rainfall deficit and consumer confidence at its lowest level since Covid weighed on demand.¹⁶ As a result, mass consumption remains patchy even as premium spending accelerates.

India's consumption cycle is creating a multi-year growth opportunity, but one that rewards selectivity. In the near term, mass demand, particularly in rural India, remains under pressure from higher costs and a weak June monsoon, making the festive season and upcoming consumer confidence readings key indicators to watch. Over the longer term, rising affluence, low penetration of consumer durables, and the rapid shift to organised and digital channels position premium consumer brands, organised retailers, consumer durables manufacturers, and e-commerce enablers to deliver sustained revenue growth, margin expansion, and long-term earnings visibility.

12. [Kotal MF](#) 13. [Kotal MF](#) 14. [NielsenIQ](#) 15. [Kotak MF](#) 16. [NielsenIQ](#)

One Chart. One Minute. One Insight

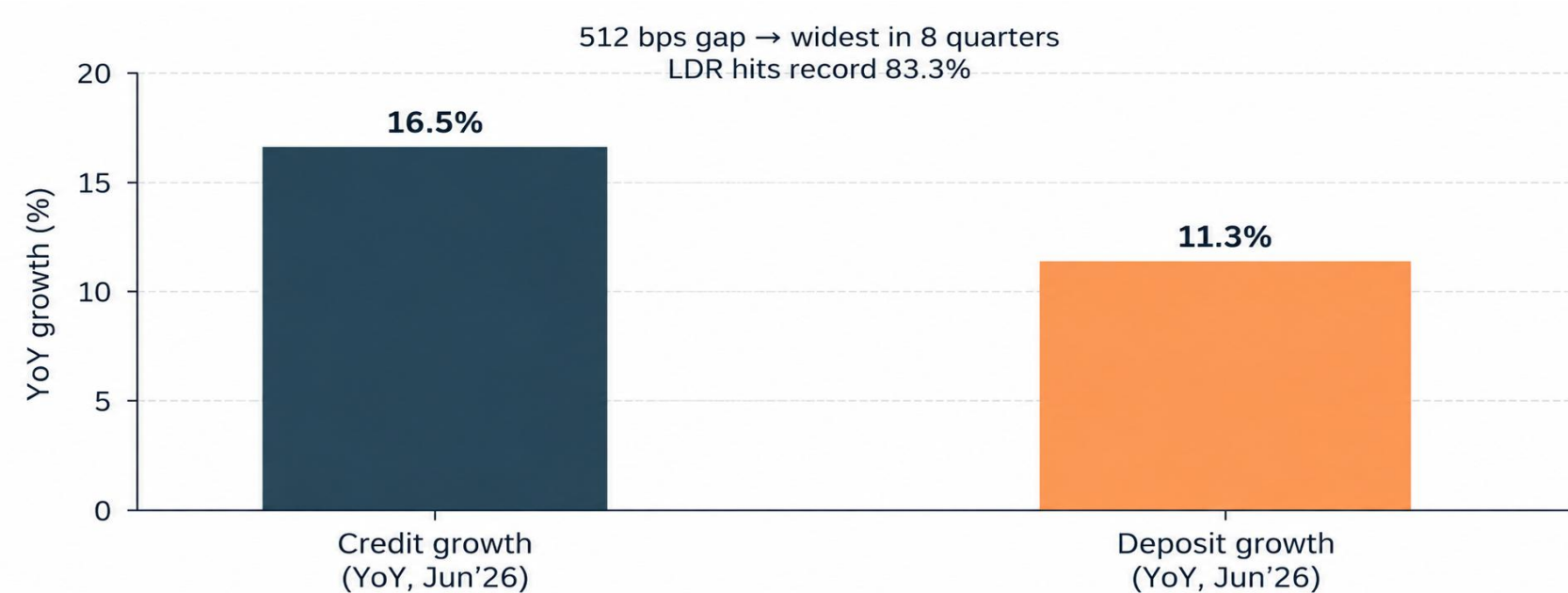
China vs India - Two large, but distinct consumption engines¹⁷



1 Minute Read: India's private consumption now accounts for roughly 56% of GDP, the highest share since FY2003, while China's has been stuck at 37-40% of GDP¹⁸ for over a decade despite its economy being ~4x larger. India's household spending nearly doubled from about \$1.0 trillion in 2013 to \$2.1 trillion in 2024,¹⁹ growing at an annual rate of around 7.2%, outpacing consumption growth in the United States, China, and Germany over the same period.²⁰ China's consumer class is older (median age 39) and more urban, while India's is younger (median age 30) and still building out; by 2030, India will have 357 million consumers below the age of 30,²¹ the largest young-consumer market in the world.

Insight: These aren't two versions of the same growth story. They're structurally different engines. China converts investment and exports into GDP; India converts household spending into GDP. That means India's consumption story has a much longer runway (a 30-year-old consumer base still building spending power) versus China's, which is aging into its peak. For portfolios, this favours a longer holding horizon on India's discretionary consumption and formalisation themes rather than treating them as a cyclical trade.

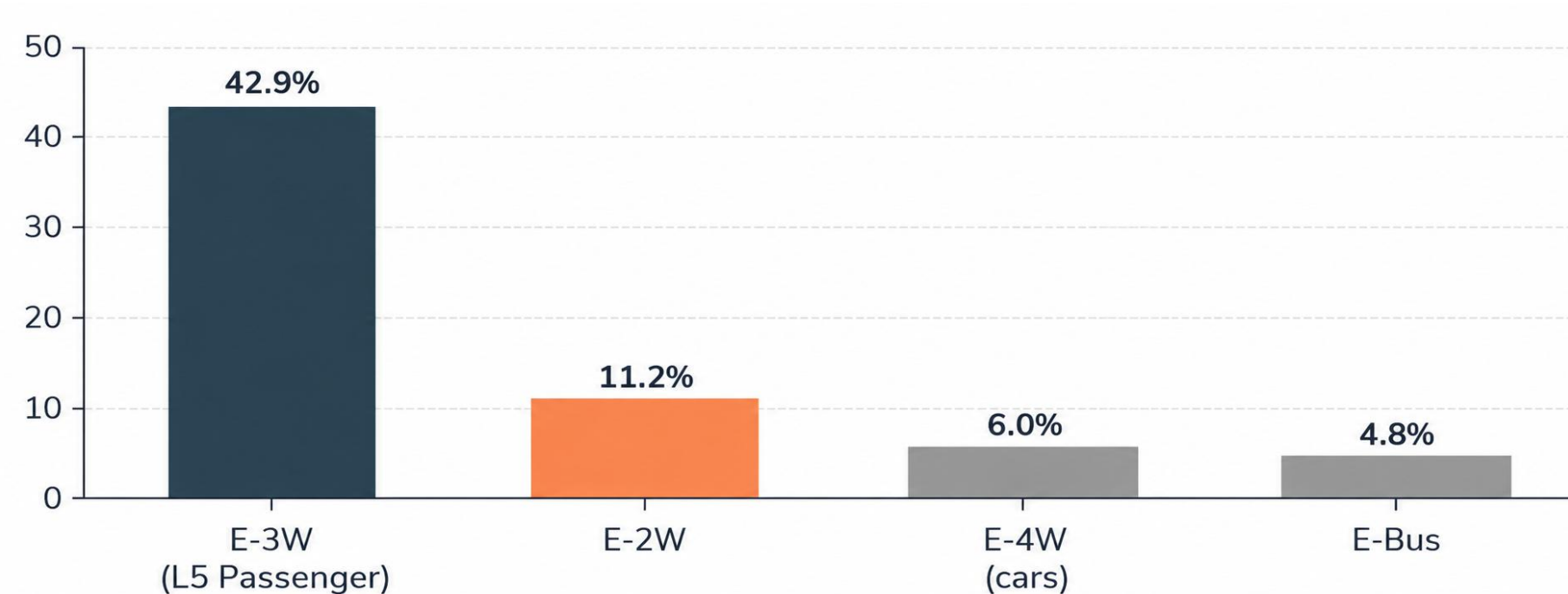
Financials - The credit-deposit gap is the widest in two years²²



1 Minute Read: Credit outstanding rose to ₹213.6 lakh crore as of June 30, 2026, while deposits stood at ₹256.5 lakh crore. Bank credit grew 16.5% year-on-year while deposits lagged at just 11.3% - a 512-basis-point gap, the widest in eight quarters, pushing the system's loan-to-deposit ratio to a record 83.3%.²³

Insight: Headline credit growth looks like a bull case for banks, but the deposit shortfall behind it is the more important number. Banks' funding a record share of that credit book through costlier CDs and bulk deposits face a structural squeeze on net interest margins - even in a "strong credit growth" narrative. Within financials, this argues for favouring banks with sticky, low-cost CASA franchises over pure credit-growth/NBFC-style stories right now.

India's EV transition is wildly uneven by vehicle type²⁴



1 Minute Read: India's overall EV market grew 43% YoY in H1 2026, with blended penetration rising to 11.43% from 8% a year earlier, however that headline masks a huge spread across categories. Electric three-wheelers (L5 passenger) have reached 42.9% penetration, electric two-wheelers sit at 11.2%, while electric cars remain at just 6% and electric buses at 4.8%, as of the seven months to July 2026.

Insight: Treating "EV adoption" as one theme misses where the real disruption is actually happening. Three-wheelers and two-wheelers, dominated by domestic players like Bajaj Auto, TVS Motor, and Mahindra's last-mile mobility unit, are already deep into electrification and structurally advantaged. Passenger cars are a much longer, more capital-intensive transition - investors chasing a single "India EV story" should instead be underwriting two very different adoption curves with two very different sets of winners.

17. [BSE India](#) 18. [Unicommerce](#) 19. [IBEF](#) 20. [Deloitte](#) 21. [Brookings](#) 22. [CareEdge Ratings](#); RBI data, Q1 FY27 (June 2026). 23. [CareEdge Ratings](#); RBI data, Q1 FY27 (June 2026). 24. [EVreporter](#)

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