

“In the short run, the market is a voting machine, but in the long run, it is a weighing machine.” – Benjamin Graham

India: Transitioning from Capex to Consumption — A Mid-Cycle Reset

The Indian equity market over the last 12-15 months has largely remained rangebound, underperforming both the MSCI Emerging Markets (EM) and MSCI China indices. After three consecutive years of strong outperformance (FY21-FY24), this consolidation phase reflects a combination of slowing earnings momentum, elevated valuations, and global risk-off sentiment. While NIFTY earnings growth has moderated meaningfully in recent quarters, this time-based correction has helped re-rate earnings multiples to more sustainable levels. Importantly, this moderation follows an exceptional run between FY21 and FY24, when NIFTY 50 earnings grew at a compounded rate of 20.48% CAGR, driven by strong cyclical recovery, government-led capex, and robust corporate balance sheets.

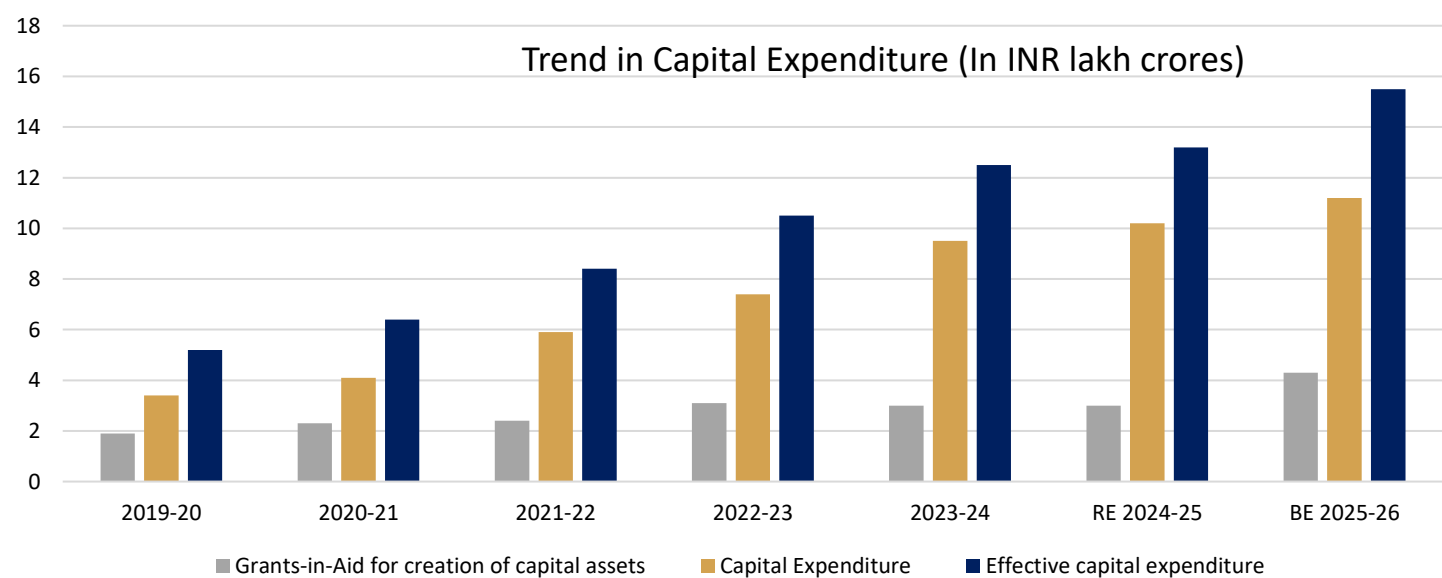
Exhibit 1 – Yearly NIFTY, Midcap, and Small Cap earnings growth table

| Yoy earnings growth | FY19 | FY20  | FY21  | FY22  | FY23 | FY24 | 1QFY25 | 2QFY25 | 3QFY25 | 4QFY25 | 1QFY26 |
|---------------------|------|-------|-------|-------|------|------|--------|--------|--------|--------|--------|
| Nifty50             | 7.4  | -2.4  | 14.3  | 34    | 11.3 | 23.6 | 12.2   | 8.9    | 12.8   | 12.7   | 7.1    |
| Mid Cap 100         | 19.3 | 40.5  | -26.6 | 125.2 | 19.5 | 36   | 9.2    | 14.3   | 51.4   | 18.9   | 16.3   |
| Small Cap 250       |      | -31.9 | 146.6 | 51.4  | 33.4 | 10.1 | 51.9   | -3.4   | -8.3   | 29.7   | -13.6  |

Fiscal Pivot: From Capex-Led Growth to Consumption Revival

Between FY19 and FY24, the **Central Government’s capital expenditure** expanded from **around ₹3.4 lakh crore to ₹9.5 lakh crore**, translating into a healthy ~23% CAGR. This capex thrust played a pivotal role in crowding-in investments and reviving post-COVID industrial activity.

Exhibit 2 – Central Government Capex Growth (FY19-FY24)



This shift suggests that the government is consciously pivoting from public capex to stimulating private consumption, given the softer macro environment of the past 18 months.

However, with the FY26 Budget projections indicating capex growth of only **8-9% CAGR for FY24-FY26BE**, the momentum appears to be moderating, especially when compared to nominal GDP growth of ~10-11%.

To catalyse this transition, the government has introduced a series of fiscal measures aimed at boosting household disposable incomes and consumption propensity:

1. Personal income tax rationalisation – reduced rates for individuals under the new tax regime.
2. GST rate rationalisation – lowering of rates on several essential and semi-discretionary household items.

Concurrently, the RBI's accommodative stance, including targeted liquidity infusions, credit easing for NBFCs and MSMEs, and a frontloading of policy rate cuts, has supported overall financial conditions and consumer affordability.

Despite an estimated annual revenue foregone of nearly ₹3 lakh crore from these tax measures, the fiscal glide path remains broadly intact. Recent sovereign rating upgrades underscore India's improving macro resilience and fiscal discipline:

- Morningstar DBRS upgraded India to 'BBB' from 'BBB (low)' in May 2025,
- S&P upgraded to 'BBB' from 'BBB-' in August 2025, and
- R&I Japan upgraded to 'BBB+ (Stable)' in September 2025.

## Growth Outlook: Consumption as the Near-Term Driver, Manufacturing as the Next Leg

Domestic demand continues to anchor India's growth story. However, private investment remains uneven, and exports are constrained by rising global protectionism and trade realignments. The government's policy pivot toward consumption is therefore expected to:

- Drive higher capacity utilisations across key consumer and industrial sectors,
- Incentivise private capex revival, and
- Generate employment-led income growth, reinforcing the consumption cycle.

Sectors such as automobiles, consumer durables, building materials, and retail financial services stand to benefit disproportionately from this trend. Our portfolio remains strategically positioned to leverage this transition toward domestic demand and consumption-led growth.

Looking ahead, we expect the next structural growth leg to be manufacturing-led, supported by the government's sustained focus on Make-in-India, PLI schemes, and import substitution. Amid the evolving global trade and tariff landscape, India is positioning itself as an alternative manufacturing base for several strategic sectors, including electronics, specialty chemicals, and pharmaceuticals.

Prime Minister Shri Narendra Modi's call for "Swadeshi 2.0" and renewed emphasis on Atmanirbhar Bharat highlight the intent to strengthen domestic production capabilities not only to serve local demand but also to emerge as a global export hub in select industries.

In this context, **Contract Research, Development & Manufacturing Organizations (CRDMOs)** in pharmaceuticals and specialty chemicals represent a long-term opportunity, as global clients diversify supply chains away from China. India's strong chemistry capabilities, cost efficiency, and regulatory track record make it well placed to capture incremental outsourcing demand.

*"Nations that  
build are nations  
that lead."*  
— Lee Kuan Yew

Liquidity Dynamics, FII Flows, and Market Supply Trends

The combination of subdued earnings growth and premium valuations has prompted persistent FII outflows, totaling approximately ₹3 lakh crore over the past 21 months (till September 2025). Conversely, domestic institutional and retail participation has remained robust, with SIP inflows into mutual funds consistently rising month over month.

Exhibit 8: FII Flows (FPI Net (in \$Mn))

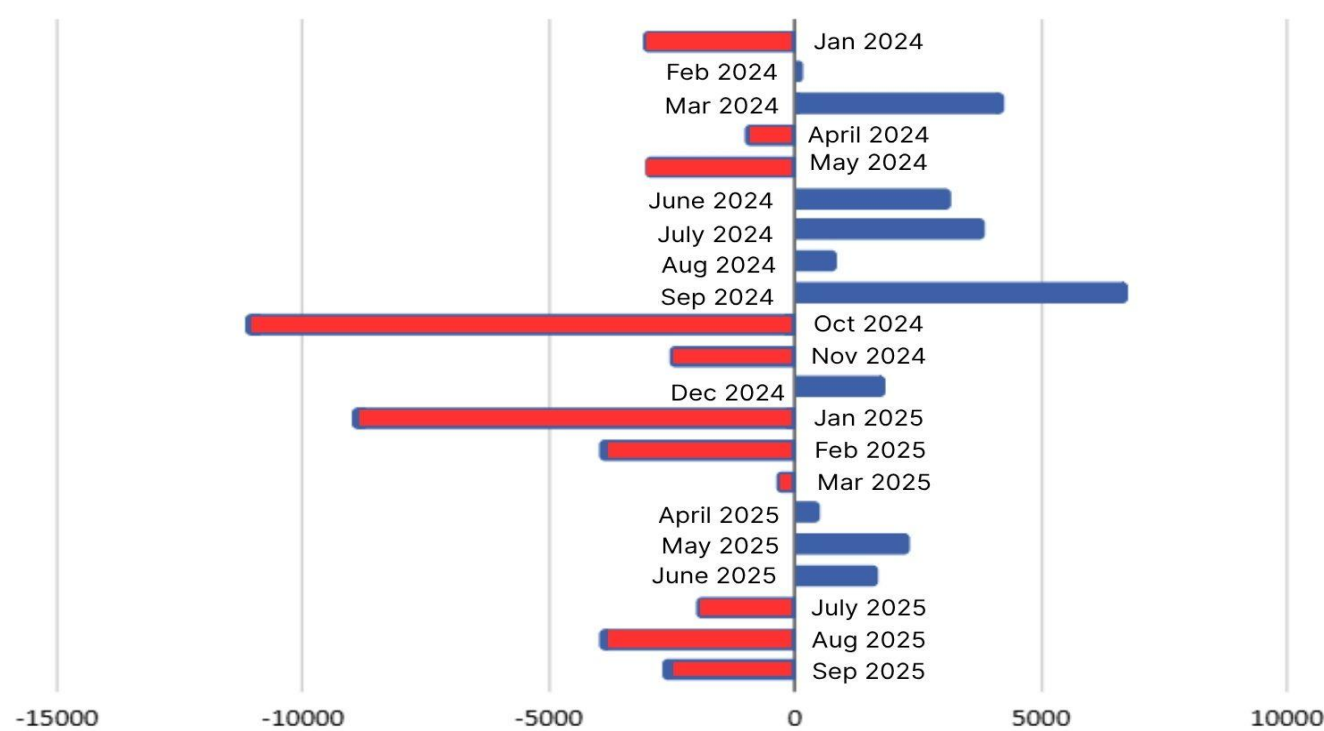
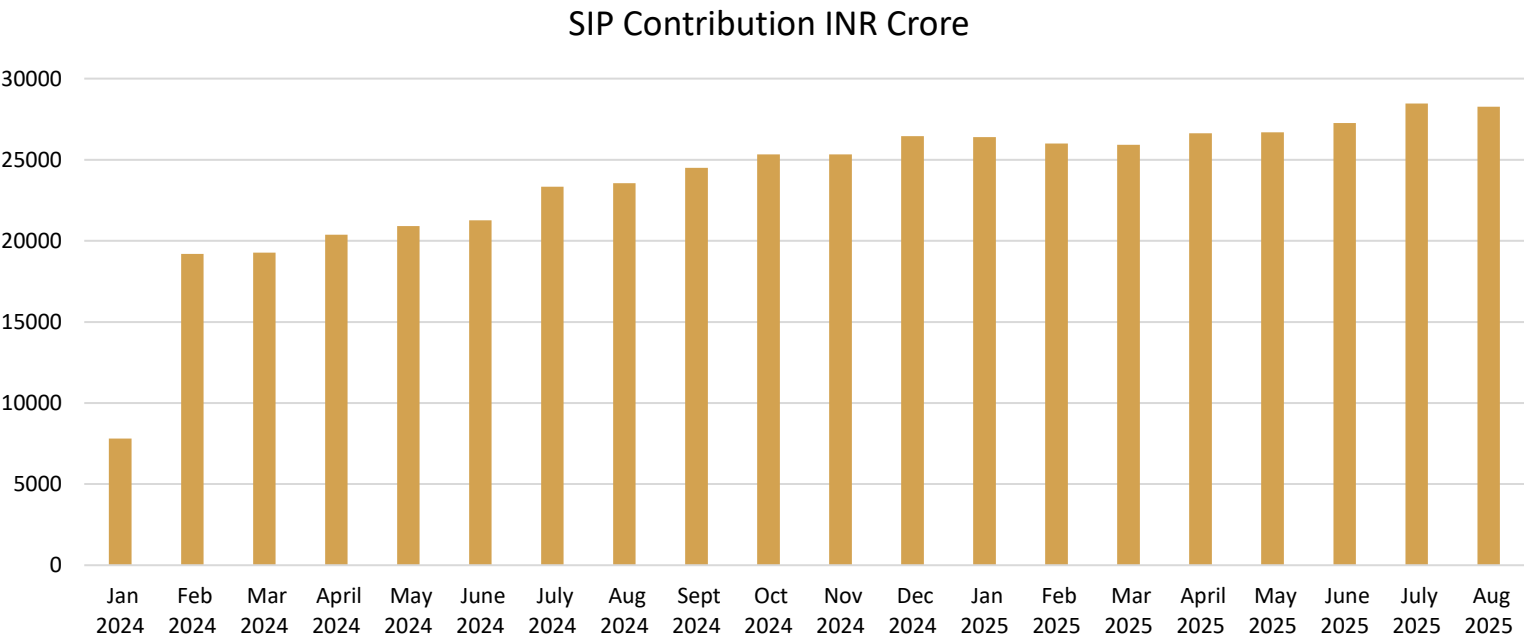


Exhibit 9: Monthly SIP inflows in Indian Mutual Fund



Source: AMFI

Despite tepid index performance, the primary market has remained active, with a resurgence in IPOs and secondary stake sales by promoters and private equity funds. The large paper supply of 1.74 lakh crore in FY25—has absorbed substantial liquidity and kept market valuations in check (Exhibit 10).

Interestingly, FII ownership in Indian equities is now at a multi-decade low (below 17%, Exhibit 11), while promoter holdings have fallen to an 8-year low (Exhibit 11). The next meaningful trigger for liquidity expansion, therefore, could come from FII re-entry, especially as relative valuations normalise and the earnings trajectory improves from 2HFY26 onward.

Exhibit 10: – Yearly IPO fundraising trends

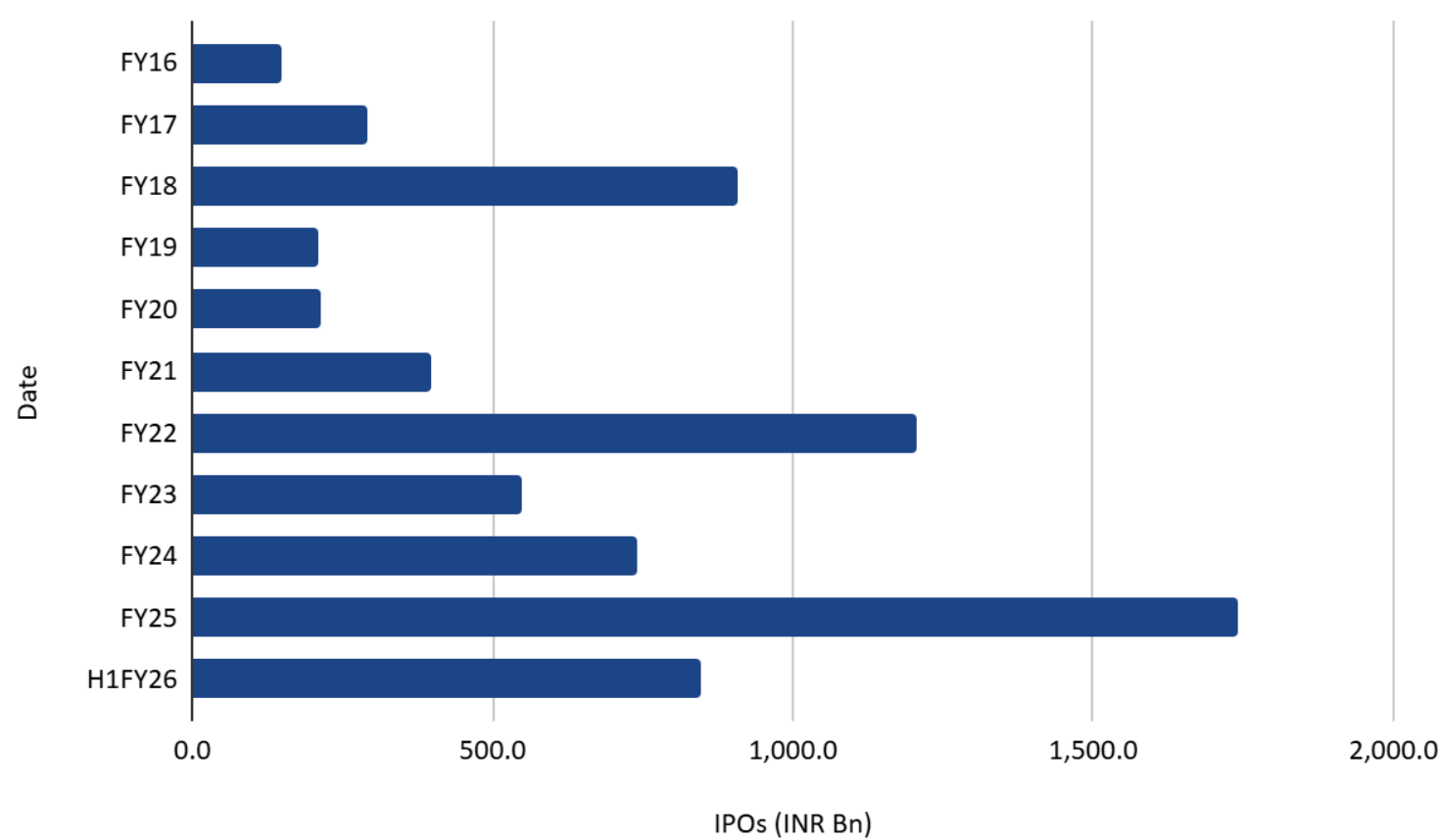
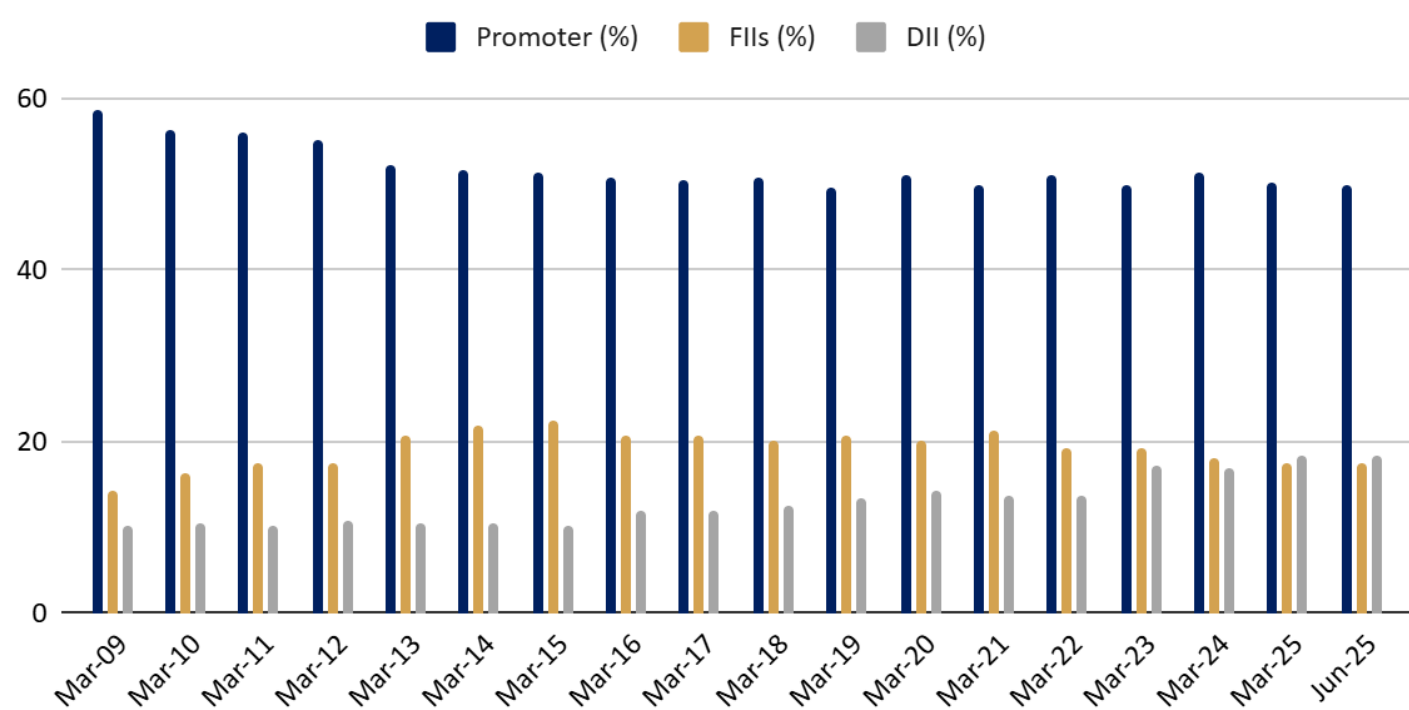


Exhibit 11: Promotor holding is at multi year low



## Quest Transition

We would like to share an important organizational update. Our CIO, Aniruddha, will be leaving us to pursue entrepreneurial opportunities. Over his 5.5 years at QUEST, he has significantly strengthened our institutional investment framework, and we wish him the very best in his future endeavors. He will continue managing his portfolios until October end to ensure a smooth transition.

Our investment team remains robust and well-positioned for continuity. Rakesh Vyas, who joined QUEST as Co-CIO in January 2024, has been managing our Flagship PMS strategy since April 2024. With 20 years of investment experience — including ~15 years at HDFC Mutual Fund, where he successfully led key strategies in his last five years — Rakesh brings deep market insight, disciplined execution, and a strong research orientation.

He is ably supported by Bharat Sheth, a founding member of QUEST since 1994, whose experience and judgement remain invaluable. Alongside them, our five dedicated sector analysts strengthen coverage and research depth.

Rakesh has further enhanced our research process, bringing additional depth while ensuring the Flagship portfolio stays anchored to our core philosophy. The portfolio reflects a research-driven framework, with selective adjustments to improve quality, capture new opportunities, and align with long-term conviction themes. Stock overlap between Multi and Flagship strategies is ~50%, while sector overlap is ~70%, reflecting our process-driven sector selection.

Our sector-rotation investment philosophy remains a cornerstone across Multi PMS, Sector Rotation AIF 1, and AIF 2. This research-led approach identifies emerging themes with strong earnings potential and dynamically allocates capital to sectors with the most attractive risk-reward. The sector rotation framework will continue to be followed and executed with consistency across Multi PMS, AIF 1, and AIF 2 — as a core tenet of our investment process.

Founded in the year 1992 by Mr. Ajay Sheth, QUEST has thrived through multiple market cycles. We began PMS in 2007, launched our first AIF in 2018, and today, under the leadership of Rajkumar Singhal (29+ years of global markets experience including leadership roles at Bank of America Merrill Lynch), QUEST continues to focus on discipline, research, and long-term compounding. Please find Rakesh’s investment strategy, his detailed profile and performance

With a seasoned leadership team, proven processes, and unwavering philosophy, we remain confident in delivering long-term value to our investors through this transition and beyond.

### Rakesh’s Investment Philosophy

|                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Multi-Cap Approach                              | Investing across large, mid, and small caps — guided by bottom-up fundamentals rather than benchmark weights — to capture a wider spectrum of opportunities                                                                                                                                                                                                                                                                       |
| Concentrated Portfolio                          | Typically hold 25-30 stocks. Our top 10 ideas represent ~55% of the portfolio, with the top 5 making up ~30-35%.                                                                                                                                                                                                                                                                                                                  |
| High Conviction =<br>High Allocation            | This concentrated structure reflects the depth of research and conviction behind each position                                                                                                                                                                                                                                                                                                                                    |
| Dynamic Allocation                              | Portfolio composition evolves based in fundamental developments, sector trends, and relative values across opportunities.                                                                                                                                                                                                                                                                                                         |
| Long-Term Allocation                            | Not driven by short-term market noise, instead focusing on owning quality businesses with the potential for sustainable value creation.                                                                                                                                                                                                                                                                                           |
| Yet agile with valuation<br>Or Business changes | Act swiftly when valuations become stretched or a business outlook materially changes – protecting capital and rotating into better risk-reward setups.                                                                                                                                                                                                                                                                           |
| Uncommon<br>Opportunities                       | Seek differentiated, under-researched names — even within known sectors — to generate alpha (e.g., SAMHI Hotels, Sequent, SH Kelkar, Ajmera Realty, Kolte Patil). Even during HDFC stints, the names owned with reasonable exposure were very differentiated like Premier Explosives, Paradeep Phosphate, Titagarh Wagons, Repco Home, Centum Electronics, Dynamatic Technologies, JKIL, Coal India, JMC Projects, GRSE, HAL etc. |

Rakesh’s Profile and Performance

Rakesh currently serves as Co-Chief Investment Officer (Co-CIO) at Quest Investment Managers, a role he assumed in January 2024. He has been managing the Quest Flagship PMS for the past year, bringing his deep research expertise and strategic insight to portfolio management.

Prior to joining Quest, Rakesh spent over 14 years at HDFC Mutual Fund, where he was a key member of the fund management and research team. During this time, he conducted detailed research on more than 150 companies across sectors including Power, Cement, Infrastructure, Metals & Minerals, Chemicals, and Real Estate.

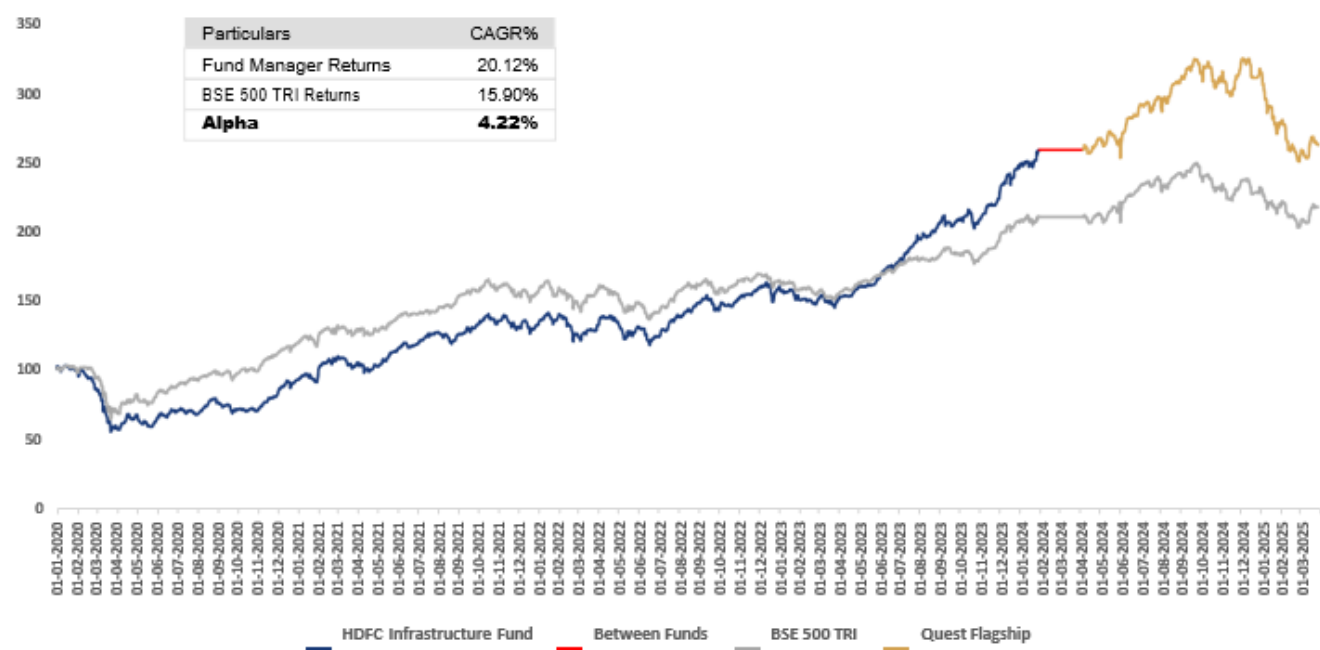
Before his departure from HDFC MF, he successfully managed the HDFC Infrastructure Fund and the HDFC Housing Opportunities Fund for more than 4 years. His performance earned industry recognition, with the HDFC Infrastructure Fund receiving the Platinum Award in the Infrastructure Fund category at the Navbharat BFSI Awards 2023.

Exhibit 14: Performance as on 1st Jan 2024

| Scheme Name/ Returns %                  | 1 year | 2 Years | 3 Years | 4 Years |
|-----------------------------------------|--------|---------|---------|---------|
| HDFC Housing Opportunities Fund - Reg G | 38.53  | 25.64   | 27.05   | 20.46   |
| HDFC Infrastructure Fund - Reg G        | 55.21  | 36.79   | 38.88   | 25.33   |
| BSE 500 TRI                             | 26.82  | 15.26   | 20.29   | 19.89   |

Mr. Rakesh Vyas managed the funds between 1st Jan 2020 to 1st Jan 2024.

Rakesh has also contributed to regulatory development, serving since June 2022 on the SEBI-appointed Advisory Committee on Hybrid Securities, chaired by Mr. K.V. Kamath. The committee provides recommendations on developing and regulating the primary and secondary markets for instruments like REITs and InvITs in India.



CAGR has been calculated for the period 01-01-2020 to 31-03-2025

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Fund Strategy, Objective and Theme

- To generate longterm 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:     | 28 <sup>th</sup> April 2023 |
| Benchmark Index:    | Nifty MidSmall Cap 400      |
| Minimum Investment: | Rs 1 Crore                  |

Fund Manager

Mr. ANIRUDDHA SARKAR

Aniruddha is the CIO and Fund Manager at Quest Investment Managers since Feb-2020. He brings with him over 17 years of experience in the capital markets with diverse role managing money for investors across PMS, AIF and Advisory business. He has an eye for sector themes and has been instrumental in catching many themes early on in their lifecycle over the years. Prior to joining Quest, he was with IIFL group companies for over 11 years. At IIFL AMC in his last role, he was the Portfolio Manager for IIFL Multicap PMS since its inception in 2014 where he had generated industry leading performance over the 5 years till Dec 2019 and the same was also recognized in Industry awards in 2019. He holds a Bachelor’s degree in Commerce and an MBA in Finance.

\* Mr. Aniruddha Sarkar managed the fund till 31st October 2025, after which Mr. Rakesh Vyas took charge from 1st November 2025.

PERFORMANCE SUMMARY POST TAXES

(As on 30<sup>th</sup> September 2025)

| Particulars                                              | 3 Months | 6 Months | 1 Year | Since Inception (28/04/2023) |
|----------------------------------------------------------|----------|----------|--------|------------------------------|
| Quest Smart Alpha – Rising Leaders AIF (A1 Class shares) | -6.26    | 11.20    | -13.95 | 12.05                        |
| Quest Smart Alpha – Rising Leaders AIF (F Class shares)  | -6.26    | 11.20    | -13.94 | 5.90                         |
| Nifty MidSmall Cap 400                                   | -4.99    | 10.21    | -7.02  | 26.97                        |

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

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## Holdings as on 30<sup>th</sup> September 2025

| Company Name                               | Weightage (%) |
|--------------------------------------------|---------------|
| S H Kelkar And Co. Ltd.                    | 8.02%         |
| Sequent Scientific Limited                 | 7.34%         |
| Swiggy Limited                             | 6.72%         |
| Ajmera Realty And Infra India Limited      | 6.10%         |
| Sansera Engineering Ltd                    | 5.46%         |
| Sudarshan Chemical Industries Limited      | 5.32%         |
| Styrenix Performance Materials Limited     | 5.08%         |
| AU Small Finance Bank Limited              | 5.01%         |
| Kirloskar Ferrous Industries Ltd.          | 4.65%         |
| Piramal Pharma Limited                     | 4.55%         |
| Cohance Lifesciences Limited               | 4.36%         |
| Kolte-patil Developers Ltd                 | 4.30%         |
| Aavas Financiers Limited                   | 4.22%         |
| Kalpataru Projects International Limited   | 3.99%         |
| Samhi Hotels Limited                       | 3.89%         |
| One 97 Communications Limited              | 3.68%         |
| PCBL Limited                               | 3.34%         |
| GMM Pfaudler Ltd                           | 3.20%         |
| Oracle Financial Services Software Limited | 3.00%         |
| Persistent Systems Ltd                     | 2.87%         |
| Home First Finance Company India Limited   | 2.41%         |
| Cash And Cash Equivalent                   | 2.88%         |

As on 30<sup>th</sup> September 2025

## SUMMARY FINANCIALS OF INVESTEE COMPANIES

| Company Name                               | Revenue CAGR FY25-27(E) | PAT CAGR FY25-27 (E) | FY 26 PE (E) |
|--------------------------------------------|-------------------------|----------------------|--------------|
| S H Kelkar And Co. Ltd.                    | 13.00%                  | 67.50%               | 18.7         |
| Sequent Scientific Ltd                     | 15.10%                  | 155.20%              | 69.9         |
| Swiggy Limited                             | 31.7%                   | L2P                  | NA           |
| Ajmera Realty And Infra India Ltd          | 15.00%                  | 15.10%               | 27.4         |
| Sansera Engineering Ltd                    | 14.1%                   | 26.9%                | 32.9         |
| Sudarshan Chemical Industries Ltd          | 81.90%                  | 3.40%                | 33.4         |
| Styrenix Performance Materials Ltd         | 13.40%                  | 14.90%               | 15.8         |
| AU Small Finance Bank Ltd                  | 19.40%                  | 29.50%               | 25.5         |
| Kirloskar Ferrous Industries Ltd.          | 15.30%                  | 34.10%               | 14.3         |
| Piramal Pharma Ltd                         | 10.50%                  | 138.50%              | 245          |
| Cohance Lifesciences Limited               | 19.40%                  | 26.10%               | 60.2         |
| Kolte-patil Developers Ltd                 | -6.00%                  | 6.10%                | 46.5         |
| Aavas Financiers Limited                   | 17.40%                  | 18.60%               | 19.8         |
| Kalpataru Projects International Ltd       | 21.60%                  | 44.80%               | 24.3         |
| Samhi Hotels Ltd                           | 14.70%                  | 67.70%               | 38.1         |
| One 97 Communications Limited              | 25.00%                  | L2P                  | 109.3        |
| PCBL Ltd                                   | 14.80%                  | 37.50%               | 18.1         |
| GMM Pfaudler Ltd                           | 11.00%                  | 107.60%              | 32.4         |
| Oracle Financial Services Software Limited | 10.60%                  | 11.10%               | 28.4         |
| Persistent Systems Ltd                     | 17.80%                  | 20.10%               | 52.6         |
| Home First Finance Company India Ltd       | 29.60%                  | 32.80%               | 23.4         |

The estimates in the table above are on consolidated basis except for banks & financials.

## INVESTMENT RATIONALE AND SWOT

### One 97 Communication (Paytm)



#### About the company

- Q One 97 Communications Ltd (Paytm) was launched in 2009, as a “mobile-first” digital payments platform to enable cashless payments for Indians, giving them the power to make payments from their mobile phones.
- Q Paytm is India’s Full Stack Merchants Payments Leader for Enterprises and MSMEs. It provides a comprehensive suite of payment solutions tailored to diverse business needs, from MSMEs to large retailers and online platforms, enabling seamless digital payment acceptance across various instruments to expand customer reach and streamline operations.
- Q In financial services, it operates as a distribution platform, partnering with financial institutions to offer a range of products, including loans, insurance, and equity broking, to both consumer and merchant base.
- Q Paytm operates as a technology platform that connects borrowers with lending institutions, providing infrastructure to facilitate loan transactions. This platform offers capabilities across the loan lifecycle, including origination, loan management, and collection..

#### Investment Thesis

- Q **Core Payments Business Remains Strong** - Paytm’s Payments & Financial services revenue stood at INR 11.1bn, growing 8% QoQ. Payments GMV improved 5.9% QoQ (+26.8% YoY). Merchant device subscriptions grew to an all-time high of 13mn, 4.8% QoQ growth, reflecting deeper market penetration driven by technologically superior devices and efficient service network. Management noted that Paytm’s proprietary full-stack model, including software, hardware (like Soundbox and EDC machines), and service network, gives it a strong edge against competitors, especially those reliant on outsourced hardware. While MTU base also improved to 74mn in Jun’25, it was despite company remaining highly disciplined in marketing investments.
- Q **Operating Leverage at Play - PAT Profitability Delivered:** Contribution margin (CM) improved 400bps QoQ to 60% mainly due to decline in other direct expenses on the back of reduction in collection cost for Personal Loans (PL) and expenses related to entertainment ticketing business (sold to Eternal) and cost optimization across businesses. Along with CM expansion, significant cost control on account of disciplined investments in marketing and productivity improvement due to AI, led to improvement in Adj. EBITDA margin (before ESOP cost) to 5.3% in 1QFY26, 113bps higher QoQ. Furthermore, company reported first ever PAT positive quarter with PAT profit of INR 1.2bn compared to loss of INR 5.5bn last quarter. Management guided for mid-high CMs going ahead, which would result in sharp rise in profits due to robust operating leverage.
- Q **Strong Management Guidance:** Company expects contribution margin to remain in the similar range and reiterated its medium-term target of achieving 15-20% EBITDA margin over the next 2-3 years, supported by cost discipline and margin expansion. From 2QFY26 onwards, only reported EBITDA will be shared; no adj. EBITDA/PAT or ESOP exclusions will be reported going forward. Lending is structurally moving towards non-DLG models as lenders gain confidence; expected to reduce costs but will also moderate revenue trajectory. Price hikes on POS devices were tested and well-received, indicating strong product differentiation and merchant stickiness. Company’s key focus areas remain merchant payments, where management sees ample headroom for growth, followed by scaling BNPL once credit conditions stabilize

INVESTMENT RATIONALE AND SWOT

One 97 Communication (Paytm)



SWOT Analysis

| Strengths                                                                                                                         | Weaknesses                                                                            | Opportunities                                                                      | Threats                                                                       |
|-----------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| Paytm was a pioneer in India's digital payments space, leveraging early smartphone adoption to build a strong brand and user base | Digital transactions expose users to security risks, requiring constant tech upgrades | Government push for cashless transactions expands Paytm’s relevance                | Rivals like Google Pay, PhonePe, and traditional banks challenge market share |
| Offers a wide range of services—payments, shopping, bookings, banking, insurance—through a single app                             | Too many offerings can confuse users, especially those less tech-savvy                | Rising preference for unified payment platforms positions Paytm well for expansion | Frequent policy changes, regulatory changes can impact revenue models..       |

## Cohance Lifesciences Ltd



### About the company

- Q Headquartered in Hyderabad, Cohance Lifesciences (Cohance) is a global, innovation-driven CDMO platform specializing in high value, end-to-end solutions across the full spectrum of a molecule's lifecycle – from early-stage development to large-scale commercialization with a marquee Customer Base across Pharmaceuticals and Specialty Chemicals. With a focus on agility, innovation and global scalability, Cohance Lifesciences is reshaping the landscape of pharmaceutical manufacturing and development..
- Q Cohance was formed by Advent International through the merger of erstwhile Cohance (RA Chem Pharma, ZCL Chemicals, Avra Labs) into Suven Pharma. Advent owns a promoter stake in Cohance, while the erstwhile promoter family (Jasti family) of Suven Pharma has a residual minority stake of 6.6% in the merged entity.
- Q Advent has professionalized Cohance's management team and further expanded Cohance's CRDMO capabilities through its Jun'2024 acquisition of Sapala Organics (oligonucleotide capabilities) and Dec'2024 acquisition of NJ Bio (Princeton-based ADC/XDC-focused CRDMO player, which added payload-linker synthesis and bioconjugation capabilities for ADCs to Cohance.

### Investment Thesis

- Q **Successful execution of Fincare merger** – Merger with Fincare SFB is expected to provide wider distribution channels (resulting in 2x touch points), opportunity to expand customer base and geographic presence (Fincare has 49% branches in South of India) and address PSL shortfall of AU (Fincare has 85% share of PSL advances). Successful execution would diversify the business and support ROAs. changing portfolio mix towards higher yielding assets would help in maintaining ROAs for FY25
- Q **Deposits to grow @ 25% for next couple of years** – Management will continue to drive its deposit growth journey by building a strong individual and retail franchise. In order to do so, the bank will continue to enhance its liability-side product proposition to acquire new customers and deepen relationship with existing customers. In line with this, it launched: i) AU Wealth, a wealth management proposition across segments, ii) restructured its corporate salary account vertical. Additionally, the bank has been consistently driving higher engagement with customers through other product offerings such as credit cards, QR codes, bill payments, etc, which may ensure higher customer stickiness.
- Q **Focus on high yielding assets like MBL, Wheels & Microfinance** - The bank targets to increase high yielding, high RoA book to ~72-75% by FY27 led by the higher growth in the higher RoA businesses (i.e. wheels, MBL, gold loans, MFI) while moderate growth in lower RoA businesses (i.e. home loans, business banking, agri banking).All these efforts are targeted towards achieving RoA of 1.8% by FY 2027.

Cohance Lifesciences Ltd



SWOT Analysis

| Strengths                                                                                                                                                        | Weaknesses                                                                                                                                 | Opportunities                                                                                  | Threats                                                                                                      |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| Strong positioning in CRDMO with capabilities across small molecules, ADCs (Antibody-Drug Conjugates), and oligonucleotides                                      | EBITDA margins expected to dip in FY26 due to inventory de-stocking and integration costs from acquisitions                                | Plans to enter flow chemistry, peptides, and enzymatic synthesis segments                      | High compliance requirements in ADC and oligonucleotide manufacturing; any lapses could impact operations    |
| Supplies SN-38 and S-Trione intermediates for top-selling ADCs like Enhertu (Daiichi) and Trodelvy (Gilead), which together account for ~40% of global ADC sales | Heavy reliance on ADCs and oligonucleotides for future growth; any regulatory or clinical setbacks in these areas could impact performance | Strong relationships with top-20 global innovators and increasing traction in Japan and the US | Pharma CDMO segment sensitive to inventory cycles, clinical trial outcomes, and customer demand fluctuations |

## Aavas Financiers Ltd



### About the company

- Q Established in 2011 as AU Housing Finance Private Limited, a subsidiary of AU Financiers India Limited (now AU Small Finance Bank), the initial phase, Aavas 1.0, focussed on testing the proof of concept for the affordable housing model.
- Q In 2023, Aavas entered its next growth phase, Aavas 3.0, with a vision to become India's most trusted affordable housing finance player led by people, process, and technology. With strategic investments in technology and innovation, we aim to deliver sustainable growth while enhancing customer experience and contributing to financial inclusion.
- Q It provides housing loans to India's unserved, underserved, and unreached communities in rural and semi-urban areas, transforming their homeownership aspirations into reality.
- Q As of FY25, it had an AUM of INR 20,420 crores, with a disbursement of INR 6,123 crores during the year spread across 397 branches..

### Investment Thesis

- Q **Higher NHB borrowings in FY26 augurs well for spread expansion:** Q1FY26 reported spread settled at 5.11%, its highest in the past five quarters driven by a 22bps QoQ reduction in cost of funds to 8.02% vs. 8.24% QoQ while asset yields remained stable at 13.13% as of Jun'25. Notably, marginal cost of borrowings reduced sharply to 7.82% in Q1FY26 vs. 8.47% QoQ, thereby improving incremental spreads at par with reported spreads of 5.11%. Management's differentiated approach with higher focus on scaling <INR 1.5mn ticket loans (better yields) and risk-based pricing based on SFDC input to improve yields is also helping to improve incremental spreads. Management also highlighted that it has not changed PLR rate post rate cut and it would only consider a reset of the PLR post Q2FY26. The same would safeguard asset yields in near-term and help sustaining spreads at >5% in FY26.
- Q **Reduction in Operating Expenses:** Aavas has completed its major technology transformation, wherein it now uses Salesforce for loan origination and CRM, Oracle flexcube for loan management, and Oracle ERP cloud for ERP. Tech transformation has led to improvement in productivity metrics as reflected in reduction in TAT, paper usage, and rise in online disbursals. Login to sanction fell further to 6 days vs. 7 days as of FY25 and other opex fell 8% QoQ. Overall, tech advancement aided cost optimization and led to improvement in opex to assets to 3.32% in FY25 vs. 3.58% in FY24, Furthermore, cost to assets improved to 3.32% in Q1FY26, adjusted for ESOP cost.
- Q **AUM Growth Guidance:** Aavas reported AUM growth of 2% QoQ/16% YoY due to muted disbursements growth on account of one-time adoption of realization-based model for its disbursements. Moreover, AUM growth was driven by non-housing loans, which was up >5% QoQ, while housing loans were up <1% QoQ. Overall, Aavas guides for 18 – 20% of AUM growth for FY26. Moreover, from FY27 onwards, post the tech integration, improvement in asset quality metrics and normalization of new disbursement recognition model, Aavas continues to expect 20 – 25% AUM growth on a steady state basis

Aavas Financiers Ltd



SWOT Analysis

| Strengths                                                                                                                                  | Weaknesses                                                                                                                                                   | Opportunities                                                                                                          | Threats                                                                                  |
|--------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|
| Specializes in housing loans for low and middle-income groups, with an average ticket size of < ₹15 lakhs.                                 | Heavy presence in Western part of India makes it vulnerable to regional economic slowdowns.                                                                  | Government schemes like PMAY help in promoting affordable housing and increase penetration.                            | Higher default risk among low-income borrowers during slowdowns.                         |
| Many branches are in Tier-3/Tier-5 towns, giving Aavas reach into markets where competition is lower and demand for home loans is growing. | As a non-deposit taking HFC, Aavas depends on wholesale borrowings, NCDs, DFIs, etc. where rising interest rates increase cost of funds compressing spreads. | Further automation, predictive underwriting, digital collections etc., can reduce operating costs and improve margins. | Increased competition from banks and fintechs offering better rates and faster services. |

## Risk Management

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

| Parameters            | Level            | Mitigants                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-----------------------|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Concentration Risk    | Fund             | <ul style="list-style-type: none"> <li>Fund shall not invest more than 10% of the NAV in any single Investee Company.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Foreign Exchange Risk | Fund             | <ul style="list-style-type: none"> <li>Fund has invested only in Indian securities hence the fund's investments do not face any Foreign Exchange Risk.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Leverage Risk         | Fund             | <ul style="list-style-type: none"> <li>The fund hasn't taken any borrowings or invested in derivatives till 30<sup>th</sup> Sep 2025 nor does it plan to do so in the future.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Leverage Risk         | Investee Company | <ul style="list-style-type: none"> <li>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.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Realization Risk      | Company/Fund     | <ul style="list-style-type: none"> <li>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.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Reputation Risk       | Company          | <ul style="list-style-type: none"> <li>The fund prefers to invest in high quality businesses run by capable management teams that have a clear focus on growth and cash flows.</li> <li>The strategy attempts to invest in companies with improving business fundamentals. Periodic evaluation of management decision/strategy and company financials is being undertaken.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                    |
| Extra Financial Risk  | Company/Fund     | <ul style="list-style-type: none"> <li>The fund aspires to manage satisfactory liquidity at all times for better management of any financial emergency.</li> <li>All expenses and financial obligations are well managed and provided for.</li> <li>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.</li> <li>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.</li> </ul> |
| Regulatory Risk       | Fund             | <ul style="list-style-type: none"> <li>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.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Strategy Risk         | Company/Fund     | <ul style="list-style-type: none"> <li>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.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

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