



RANGOLI INDIA FUND (GIFT CITY)
QUARTERLY REVIEW NOTE
Q3: CY 2025

Acknowledging Context

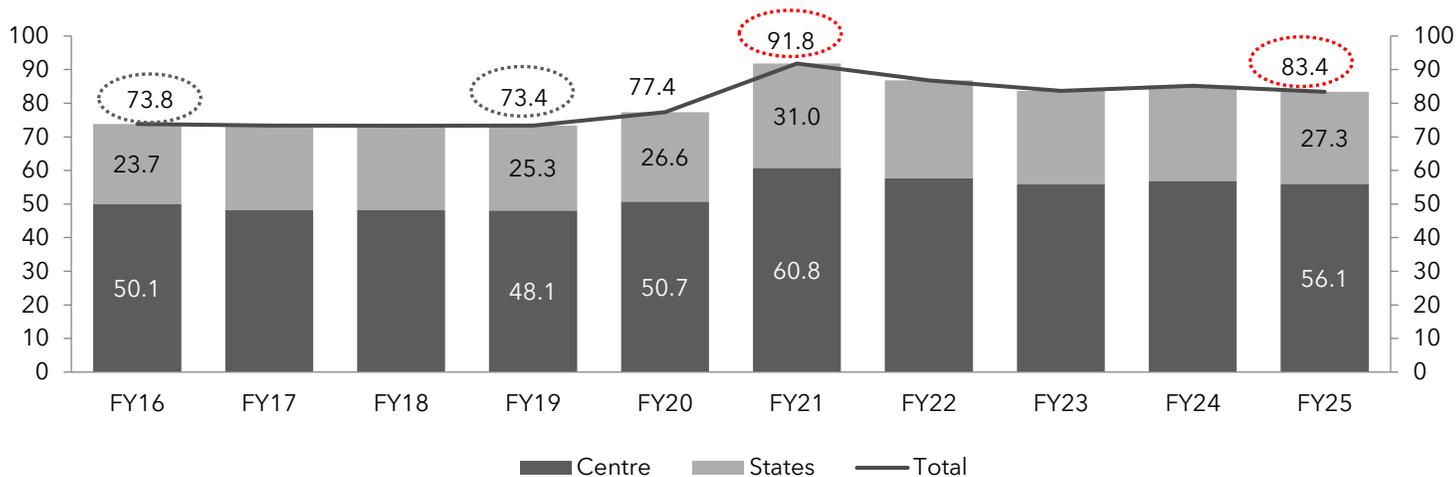
The macro environment shapes the contours in which individual companies operate. It influences the opportunity set, the cost of capital, and the durability of earnings. It determines which pockets of the market offer genuine value, and where optimism runs ahead of fundamentals. In periods when macros shift meaningfully, it is essential as managers of risk to articulate the context.

As we step into the final quarters of FY26, India's macroeconomic backdrop has changed in ways that matter for portfolio construction, driving the context for growth and value. Portfolio composition is a response to the environment and an indication of why we are positioned the way we are, and how it aligns with both risk and opportunity in the current cycle.

India, State of the Economy

Limited Fiscal Room | Over the past few years, India's public debt [Central and State] has risen meaningfully. The Centre's debt-to-GDP ratio now sits above 56%, and State debt has followed a similar upward trajectory at 27%, bringing the combined public debt to 83.4% of GDP; or 10% above the pre-COVID levels [FY19]. While the numbers remain manageable, they close the option of significant discretionary fiscal expansion. The government cannot materially outspend its current trajectory without compromising on fiscal discipline. This constraint is essential because public expenditure has been a dominant driver of growth over the last decade.

India's Debt to GDP (% of GDP)

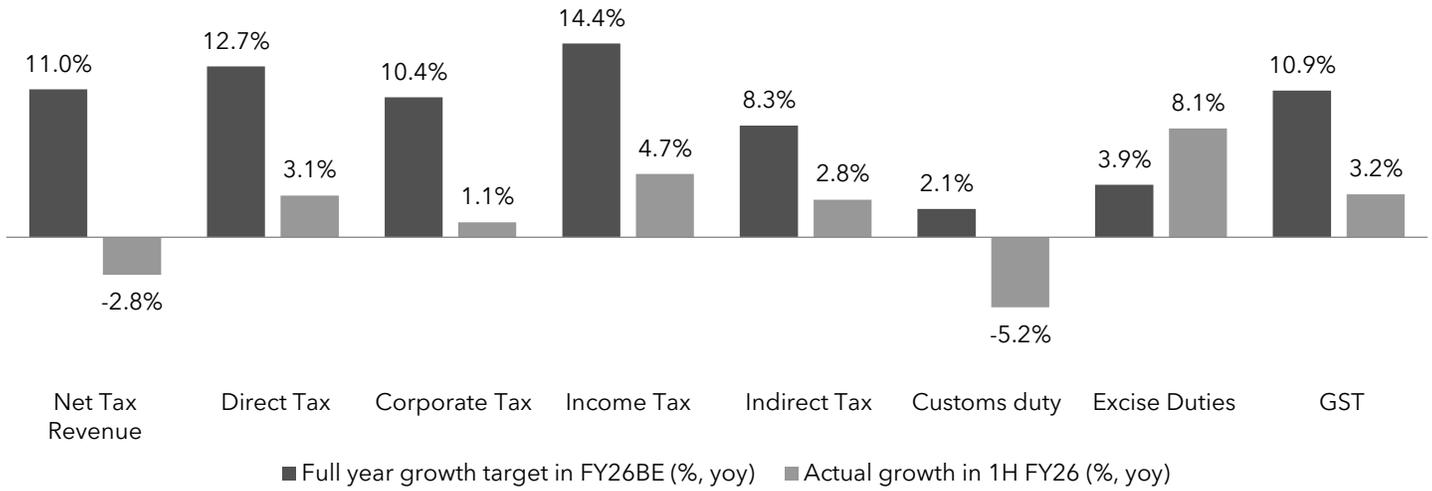


Over the past few years, much of India's growth impulse has come from the supply side: massive outlays on infrastructure, digital public goods, logistics corridors, energy transition, and manufacturing-linked incentives. Today, the budgeted share of public capex allocated to physical infrastructure (roads, railways, and metros) is set to decline to 50% in FY26 from an average of 54% between FY22-25, which could yield lower capex multipliers.

Tax Revenues Lose Steam | India's tax collections softened notably in the first half of FY26, reflecting a combination of weak corporate profitability, tepid consumption, and muted capital market activity. Direct tax revenues rose just 3.1% YoY, [Rs. 10.6tn], significantly below the 12.7% estimated in the Union Budget. Within this, personal income tax collections grew by 4.7%, while corporate tax collections grew by just 1%, dragging overall collections.

Indirect taxes also disappointed, moving just 2.8% YoY. Within this, GST collections grew 3.2%, while Excise duty grew 8%. Custom duties continued to struggle, declining 5%, underscoring ongoing supply-chain normalization.

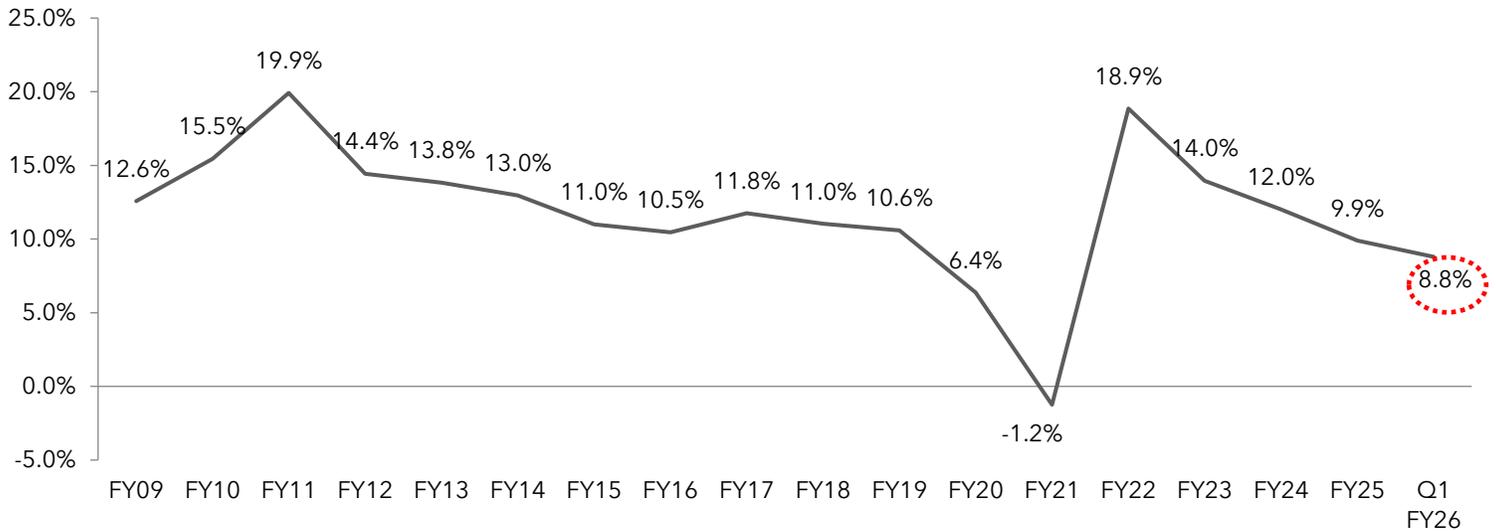
Tax collections performance: Actuals vs. budgeted



This change in trend matters, as tax buoyancy is no longer at a level that can comfortably underwrite a wave of fresh government spending to stimulate demand.

External Stress | Compounding this dynamic is the external environment. Despite the 50% punitive tariffs imposed by the US, India has had limited room to diversify its export basket as the share of exports to the US has risen from 18% in FY23-25 to 20.5% in FY26YTD. A policy relaxation on this front will be a welcome relief, notwithstanding the depreciation of the INR. As a result, and amid other factors, India’s nominal GDP growth has slowed sharply to 8.8% in Q1 FY26, the weakest pace in more than a decade, barring Covid. In Q2 of FY26, India grew at a higher-than-expected 8.2%, the fastest pace in six quarters, largely on the grounds of GST and tariff-led front-loading.

Nominal GDP growth (% , yoy)



Without a structural return to 11-12% nominal GDP growth, a broad-based pickup in corporate earnings is a challenge. Lower nominal growth also keeps government revenues under strain, limiting the fiscal space for higher spending while staying on the consolidation path.

Monetary Easing | Amid these constraints, monetary policy remains an area of constructive optionality. With inflation trending in a tolerable band [$<2\%$ YTD], the space for incremental monetary easing remains open. A well-timed reduction in policy rates will help lower costs across the system and revive the credit cycle in a balanced manner, especially to the MSME sector, which can absorb incremental capital. India's banks enter this phase with healthier balance sheets, stronger capital adequacy, and improved underwriting discipline, positioning them to transmit easing more effectively than in earlier cycles.

With limited fiscal space and a maturing tax base, the supply-side lever that has carried this cycle cannot be extrapolated. The next phase of growth will have to emerge from the demand side - from the capacity of households to consume and enterprises to invest, rather than from the state's ability to build. It is here, in the delicate interplay between private-sector confidence and household purchasing power, that the trajectory of India's expansion will now be determined.

Q2 FY 2026 Earnings Update

2H Recovery Setup

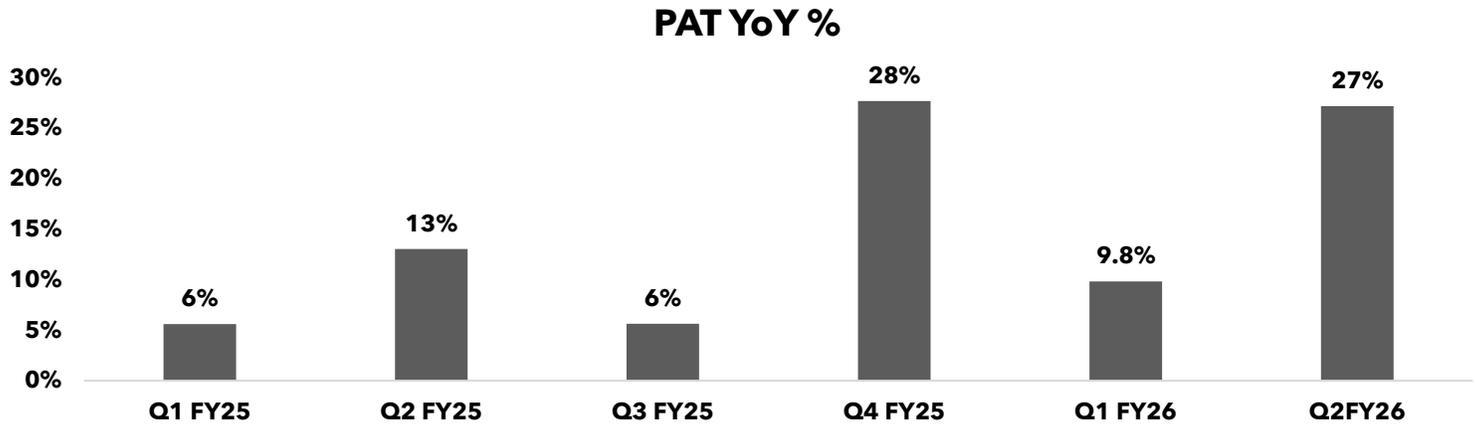
Q2FY26 results were steady but unspectacular, with headline numbers held back by a softer nominal growth environment. Nifty companies reported c.6% revenue and operating profit growth, but aggregate earnings were broadly flat for the quarter, reflecting both a strong base last year and continued pressure in select sectors. For the half-year, Nifty earnings grew 4% while the broader BSE-500 delivered healthier double-digit growth, though earnings upgrades remain rare and consensus estimates for FY26 and FY27 have inched lower. Valuations across large, mid, and small-caps remain above their 5-year averages, suggesting the market is waiting for clearer earnings momentum before rewarding the broader basket.

NSE500	Adj PAT Cr		
Sector	Q2 25	Q2 26	YoY %
Automobiles	20,327	17,144	-15.7%
Banks-Private	51,338	50,023	-2.6%
Banks-PSU	47,655	48,865	2.5%
Capital Goods	11,215	14,582	30.0%
Consumer	15,596	16,175	3.7%
EMS/ Durables	1,941	2,823	45.5%
Healthcare	3,656	4,816	31.7%
Technology	32,691	35,367	8.2%
Utilities	25,148	23,230	-7.6%
Pharma	12,178	13,611	11.8%

Across sectors, demand commentary was noticeably more positive than reported numbers. Banks and NBFCs continued to report stable asset quality, with disciplined growth, while rate-cut-led-NIM compression muted earnings. The festive season lifted sentiment in autos, jewellery, electronics, and select apparel, pointing to improving underlying consumption. EMS players continued to grow at high rates amid industry opportunities, while seasonal factors have muted domestic consumer electricals. The pharma segment is showing signs of recovery, driven by improved U.S. demand and a more stable pricing environment, while the domestic market remains resilient. The domestic healthcare space remains on a good footing, supported by incremental expansion and pricing. The chemical industry is undergoing a period of consolidation as it navigates an extended destocking phase, tariff-related pressures, and continued oversupply from China. The metals sector delivered strong performance, supported by firmer commodity prices, and improved sentiment driven by expectations around China's involution policy. IT services remained subdued amid global uncertainty. A significant observation was muted wage growth, especially in IT and financial services, constraining parts of urban discretionary demand.

Portfolio Update

Unifi's portfolio companies delivered a weighted average earnings growth of c.32% ex-financials and c.27% at a portfolio level for Q2 FY 2026, led by improved earnings momentum across many holdings.



Credit - Portfolio Composition of 18%

Credit Cycle Turning with Policy Support

After a mid-year lull, bank credit growth in India is showing early signs of reacceleration—rising from ~10.4% YoY in mid-September to 11.2% by October-end. This uptick has been spurred by festive-season demand and recent GST rate cuts, particularly benefiting retail and MSME credit momentum. RBI's pro-growth stance in delivering cumulative repo rate cuts of 100 bps in 2025, initiating active open market operations to inject liquidity, and announcing a phased 100 bps CRR cut (through November) to release ~₹2.5 trillion for bank lending has bettered the outlook for credit growth. With CPI inflation near record lows (~0.25% YoY in October), the RBI is well placed to accelerate credit transmission. We see this pro-growth policy stance as a supportive backdrop for credit offtake heading into 2026. This dictates our exposure to the sector.

Indian banks' net interest margins have already felt the pinch of the RBI's repo rate cuts earlier in 2025, and much of that impact is now behind us. Going forward, as deposit costs trend down, margins are expected to begin recovering around the third quarter of fiscal 2026. Another rate cut may delay this development, but it will be a medium to long-term positive. On the asset quality front, industry-wide metrics remain healthy. Aside from a few pockets (e.g., microfinance, small-ticket business loans) where stress lingers, most segments are stable, and the earlier spike in credit card/personal loan delinquencies is easing. Our portfolio's banks and NBFCs have minimal exposure to the vulnerable segments, and even in those limited cases, their underwriting has been conservative. We take comfort in the fact that the institutions we own are maintaining strong credit discipline, keeping incremental stress low.

On this backdrop, our positioning in the credit sector remains focused on quality that offers Growth at a Reasonable Price (GARP). We continue to hold one of India's largest public-sector banks, a franchise that has steadily gained market share without stretching its risk appetite. Over the past 4-5 years, this bank cleaned up its balance sheet and improved asset quality, emerging from the last credit cycle in far better shape. Today, it boasts conservative underwriting, a diversified loan book, and comfortable capital buffers, translating to low credit costs and a clear path to mid-teen RoEs. Yet, valuations remain reasonable considering the bank's improving fundamentals and healthy return ratios, offering a balanced risk-reward for long-term investors.

We also own one mid-sized south-based bank that has shown remarkable resilience in recent years. This institution underwent management and policy overhauls - revamping its credit policies, upgrading technology, and even refreshing HR practices to build a stronger risk culture. These efforts have paid off in robust asset quality through the cycle, with notably improved underwriting outcomes. Despite this progress, it still trades at a reasonable valuation relative to its improving return ratios, suggesting room for a re-rating as its turnaround story continues to unfold.

In the private sector, we maintain exposure to a leading bank that we view as a long-term compounding story. This bank's relatively smaller market share (versus its private peers) gives it plenty of headroom to grow faster than the industry average. Importantly, it couples this growth opportunity with strong governance and disciplined credit quality across cycles. With a proven management team at the helm and a consistent track record, we see this franchise as a compelling re-rating candidate once the market fully appreciates its structural growth potential.

Hospitals & Healthcare - Portfolio Composition of 11%

Operating Leverage Meets Structural Demand

India's private healthcare sector continues to deliver robust performance, underpinned by sustained growth in Average Revenue Per Occupied Bed (ARPOB), rising patient throughput, and steadily expanding margins. What was once a 'theme' has now become a visible earnings driver: ARPOBs are trending higher across listed players, supported by richer specialty mix, higher inflows of international patients, adoption of robotic surgeries, day-care formats, and other high-value procedures.

We remain invested in a leading East-South hospital chain with deep presence in the affordable and mid-market segments. Its overseas assets have scaled up strongly, contributing meaningfully to profits, while execution in India continues to anchor growth. The company is building adjacencies that should add incremental growth engines over the medium term. The chain has pursued acquisitions to accelerate its scale-up in overseas markets, leveraging operational learnings from its existing Indian and overseas assets. Alongside, we hold exposure to a South-focused hospital that continues to execute well.

With improved visibility into free cash flow and a disciplined reinvestment strategy, our healthcare holdings are well-positioned to capture margin expansion and secular demand growth. This combination of operating leverage, structural tailwinds, and balance-sheet strength makes healthcare one of the most attractive long-term themes in the current market environment.

Product Distribution - Portfolio Composition 9%

Consistent Growth

Globally, enterprise demand for computing is accelerating, driven by shorter product cycles and rapid innovation that both accelerate obsolescence and drive progress. At the same time, consumers are becoming increasingly connected, with rising adoption across segments such as retail, education, home, and business, as well as in cloud and SaaS solutions. A notable shift is also underway toward premium products and more frequent upgrade cycles.

Against this backdrop, we hold exposure to a leading global ICT distributor with a strong presence in India, strategically positioned to capture this expanding demand and deliver sustained growth. Our portfolio company reported healthy YoY revenue and earnings growth. The business had been facing headwinds in several preceding quarters due to one geography (Turkey), which has now been fully addressed by the sale of the unit causing the pain. The other geographies remain resilient, continuing to benefit from their leadership in IT distribution across India and the Middle East. Growth in cloud, cybersecurity, and enterprise solutions is broadening revenue streams beyond traditional hardware distribution, improving both margin visibility and cash flow. As the Turkish overhang dissipates, the market's focus should return to core earnings, making this a compelling position in our portfolio.

IT and Technology - Portfolio Composition 9%

We have reduced our exposure to Indian IT services, following a reassessment of the sector's evolving headwinds. Demand conditions remain soft, with elongated decision cycles and subdued discretionary tech spending. Layered onto this is the deflationary effect of generative AI, which is reshaping delivery models away from traditional people-intensive structures and steadily eroding pricing power.

Against this backdrop, our approach has turned highly selective. We are choosing to back only those businesses that demonstrate three attributes:(1) a smaller revenue base that enables higher growth off a leaner scale, plus a sector leader that will benefit from the return of discretionary spends; (2) a robust, executable order pipeline offering clear visibility over the next 12-18 months, and (3) product leadership in specialized verticals that enjoy stronger structural growth.

In parallel, we have added exposure to a US-based healthcare services firm, a space marked by high-recurrence, non-discretionary spending and durable growth. This complements our selective stance in Indian IT by anchoring part of the portfolio in a structurally stronger, more resilient global services theme.

Agriculture - Portfolio Composition 7% |

Strong Season and Execution

The Indian agriculture sector is poised for a healthy Rabi season, aided by above-normal monsoon levels and comfortable reservoir positions. Structural tailwinds such as higher Minimum Support Prices and improving farm economics continue to underpin rural demand. Within this backdrop, our portfolio comprises two differentiated players that are deeply integrated across the agricultural value chain—one a leader in complex fertilizers and crop advisory solutions, and the other a global innovator in crop protection and bioscience technologies.

Execution-wise, both businesses are at different but encouraging stages of their strategic roadmap: the fertilizer-led company has gained market share in key southern and eastern states, supported by backward integration, efficient distribution, inorganic growth and an increasing focus on value-added products, while the crop protection company is in the midst of a recovery following operational initiatives undertaken last year. Together, they are well-positioned to capture growth driven by firm demand trends, rising input intensity, and supportive policies promoting sustainable agricultural solutions.

Asset Management - Portfolio Composition 4%

Growing Participation

The Indian asset management industry continues to experience strong tailwinds, marked by expanding retail participation, SIP-driven inflows, and greater acceptance of equity ownership. Monthly SIP contributions now exceed ₹29,000 crore, underscoring the increasing breadth of participation. The rise of passive and hybrid strategies, alongside robust participation in mid- and small-cap funds, points to a market that is deepening and diversifying in earnest.

In this space, one of our holdings is an industry-leading AMC benefiting from strong fund performance and a recent uptick in SIP market share. Backed by an experienced leadership and investment team, it stands to gain disproportionately as investor flows accelerate. Our other AMC investment is a turnaround play - a credible franchise where improved fund performance could drive a rebound in net flows and overall equity AUM growth. We are already seeing early signs of stabilization here, and any sustained performance pickup should translate into better market share for this asset manager.

Automobiles - Portfolio Composition 8% / A Singular Bet on Market Share Gains

Within the Indian automobile landscape, the positioning is deliberately selective, anchored around a single OEM that has demonstrated exceptional discipline in both volume expansion and value creation. At a time when most passenger-vehicle manufacturers are contending with heightened competitive intensity, margin compression, and an uneven trajectory of EV adoption, this OEM distinguishes itself through a resilient operating model and a strategically curated product pipeline.

The company continues to deliver growth ahead of the industry, supported by a series of successful launches across segments that have translated into sustained market-share gains in both ICE and emerging EV categories. Its approach to electrification remains pragmatic—balancing near-term profitability with long-term platform readiness—allowing it to capture incremental wallet share even as consumer adoption patterns evolve.

Further complementing the PV franchise is its entrenched presence in the farm-equipment sector. The ongoing agricultural upcycle has underpinned healthy tractor demand, and the OEM has leveraged this backdrop to deepen its leadership position through superior distribution strength, product reliability, and targeted incremental share gains. The tractor business, with its counter-cyclical characteristics and strong cash-flow profile, provides a stabilizing anchor within the broader portfolio.

Taken together, the company's diversified growth engines, disciplined capital allocation, and consistent operational execution position it as a structurally advantaged leader within the domestic automotive ecosystem—well placed to compound value across cycles.

Pharma, Specialty API - Portfolio Composition 10%

Transitioning into growth phase

We have exposure to two mid-sized pharmaceutical companies, each anchored by a differentiated business model and distinct growth drivers. The first is an API manufacturer building a diversified portfolio of low-volume, high-value products, underpinned by rigorous compliance and full value-chain integration. Its capabilities span the entire product lifecycle, enabling deep customer engagement and sticky relationships. The company is now using its credibility in the generic API space to expand into CDMO services. With a change in ownership and a renewed focus on disciplined capital allocation, we believe it is entering a phase of stronger, more sustainable medium- to long-term growth.

Our second exposure is to a pharmaceutical company engaged in the research, manufacturing, and marketing of OTC products, supported by globally compliant facilities in India, the UK, and the US (including approvals from the US FDA, UK MHRA, and Australia's TGA). After a modest setback in Q1, the company is poised to benefit from operating leverage, with margin expansion and growth visibility improving on the back of ongoing capacity additions and a healthy pipeline of new product launches.

Overall, Q2 paints a picture of an economy improving beneath the surface, even if earnings have yet to reflect the full benefit of this recovery. Taken together, there is no immediate trigger for a broad-based consumption upturn, barring the GST-related fillip. The supply side remains strong, the structural story remains intact, but the demand cycle will need an accelerator. Capex will continue, because it must, but at a slightly slower pace, and India is unlikely to see an immediate all-encompassing post-COVID demand-heavy cycle of the magnitude that would lift the entire market indiscriminately.

Expectations vs Delivery

The companies that performed well this calendar year were those that grappled with execution/earnings issues last year. Their recovery underscores how quickly fundamentals can turn when underlying business strength is intact.

Security	CYTD % Return
Healthcare Chain	53%
Product Distributor	41%
South-focused Bank	52%
Leading Fertilizer Co	27%
Leading PV, Tractor Co	25%
Leading PSU	20%

Security	CYTD % Return
Niche API Co	-9%
Largest Tobacco Co	-16%
Growing Pharma Co	-25%
Leading Cash Logistics Co	-28%
Challenger AMC	-35%
Leading Tech Product Co	-37%

By extension, companies facing a difficult patch this year foresee a better outlook on the execution front starting Q3 and Q4 of FY 2026. As the headwinds begin to ease over the next few quarters, their asset prices will follow the trajectory.

Across our core holdings, the portfolio has mainly behaved as expected. The majority of our principal positions have delivered earnings in line with our forecasts, and their share prices will track the fundamental progress of the underlying businesses with reasonable fidelity. A few names on the smaller-cap side are working their way through short-term cyclicity, an entirely natural phase for companies of a particular scale. These periods of temporary dislocation seldom alter our investment case; rather, they are characteristic of franchises that are still compounding from a lower base. We expect the current gap between earnings expectations and market perception to narrow over the coming quarter or two, as the operating environment stabilizes and company-level initiatives begin to flow through. When that happens, these positions should contribute more visibly to portfolio performance, reaffirming the discipline of staying invested through transient noise and backing the longer arc of value creation.

The implications are straightforward | The long-term arc of formalization, digitization, supply-chain reordering, manufacturing competitiveness, the financialization of savings, and institutions consolidating demand remains firmly intact. FY 2025-26 is shaping up to be a period in which the economy consolidates the gains of the previous few years before entering a new demand cycle. In such a backdrop, risk calibration becomes central to portfolio construction. And this is central to Unifi's views on portfolio construction, where valuations are paired with visibility. India will continue to compound. But the immediate term is one in which discipline, not exuberance, will drive performance. As stewards of capital, our task is not merely to participate in the growth story, but to participate selectively, deliberately, and with a sharper appreciation of constraints. The narrative is not the least that India is slowing. It is that certain parts of the economy are maturing, and that markets will price that maturity with greater nuance.

A disciplined framework for investing with controlled risk Our investment philosophy continues to centre on rigorous bottom-up research, selective sector rotation, and tight valuation discipline—applied with an explicit focus on capital preservation. We do not adhere to a model-portfolio construct; allocations differ by mandate, but the underlying objective remains constant: to deliver meaningful absolute returns while containing drawdowns.

The year ahead is likely to be characterised by alternating periods of clarity and uncertainty, driven by earnings divergence, regulatory developments, and shifting global macro signals. In such an environment, preserving resilience across portfolios becomes as important as identifying winners. Accordingly, we prioritise businesses with strong balance sheets, predictable cash-flow pathways, and entry valuations that embed an adequate cushion for unforeseen risks.

This framework enables us to participate in upcycles without stretching for momentum, and to maintain composure during bouts of volatility. The emphasis is on building a return profile that is not dependent on benchmark movements but is anchored in durable, repeatable compounding—where risk is consciously managed, and the quality of outcomes is as important as their magnitude.

The following sections outline our investment strategies and provide a performance summary for Q2 FY26. Please do not hesitate to contact your relationship manager for a detailed review of your portfolios.

Background

The fund has the flexibility to invest in stocks across diverse sectors, themes, and market capitalization. The fund's holdings are well diversified and poised to benefit and consolidate their position and deliver industry-leading growth. We have trimmed exposure in a few names that have performed significantly well and redeployed the cash generated in firms that offer a better risk/reward proposition.

Company	Brief background and Investment rationale
<p>Redington</p>	<p>Redington is a global distributor of Information, Communication, and Technology [ICT] products across 40 countries. It covers the entire gamut of IT products and smartphones, offering services and solutions across managed, cloud, and logistics services. The company partners with over 450 brand associations and services more than 75,000 channel partners. Redington reported revenues of Rs. 29,076cr, an increase of 17% YoY. This growth was driven by all major regions, with India experiencing a 23% YoY increase, the UAE business growing by 23% YoY, and KSA growing by 22% YoY. Gross margins were stable at 5% YoY. The company experienced lower provisions QoQ, as it had adequately provided for the stressed receivables in the previous quarter and endeavours to recover from the written-off accounts in the coming quarter. As a result, EBITDA was up 28% YoY and 47% QoQ to Rs. 589cr. Overall, the company reported a PAT of Rs. 388 cr, up from Rs. 293 cr last year, translating to 32% YoY growth.</p> <p>From a capital allocation perspective, the company's return ratio is healthy at 20% RoE, and it continues to pay out 35-40% of its PAT as dividends, resulting in a dividend yield of 2.5-3%. We like Redington, given that it is amongst the top 2 ICT distributors in its markets. The company's dominant position and financial strength provide it with a significant competitive advantage in a business with high entry barriers. Redington has established a strong services business in third-party logistics and the high-margin cloud business. Redington's broad portfolio and relationships with vendors across various segments enable balanced growth and reduce vendor concentration. Redington has consistently demonstrated robust risk management practices across multiple cycles, effectively managing credit, inventory, and currency risks. A significant shift in consumer and enterprise behaviour has driven higher demand for advanced computing, leading to shorter product life cycles and the adoption of premiumization. This tailwind benefits Redington.</p> <p>Key risks include a higher interest rate regime environment, delayed margin recovery, and slowdowns/delays in the high-margin enterprise business.</p>
<p>Bank of Baroda</p>	<p>BoB delivered a strong set of results with stable growth and improving margins. The bank reported a PAT of Rs4,809cr (+6% QoQ), while advances grew 6% QoQ/12.2% YoY, supported by broad-based traction across segments: Corporate +8%, MSME +6.4%, Agri +4.9%, and Retail +4.5% sequentially. Management reiterated loan growth guidance of 11–13% and deposit growth of 9–11% for FY26. NIMs improved ~5bps QoQ to 3.96%, even excluding the higher income-tax refund interest. Asset repricing is largely complete, while the benefits from deposit repricing will flow through over the next few quarters. Cost-to-assets improved 2bps QoQ to 1.76%.</p> <p>GNPA declined ~12bps QoQ to 2.16%, and NNPA improved ~3bps to ~0.57%, with PCR stable at ~74%. Gross slippages remained contained at 1.0%, while net slippages improved sharply to 39bps vs 70bps YoY. Except for two quarters, net slippages have remained within 0–50bps over the past 12 quarters, underscoring resilient credit quality. Credit costs moderated to ~40bps vs 66bps YoY and are expected to remain ~0.5–0.6% in FY26 due to low incremental stress and declining stock of existing stress. We remain constructive on BoB given its ability to grow largely in line with the system, structurally lower credit costs, strengthening asset quality trends, and attractive valuations with clear earnings visibility.</p>

	<p>Key risks include Slower-than-expected growth, adverse asset-quality trends leading to higher credit costs, and higher treasury losses.</p>
ITC	<p>ITC reported a 2% YoY decline in revenue to Rs. 19,502 cr. The EBIT and PAT grew by 2% YoY and 4% YoY, respectively, as the raw material inflation impacted the business. At the segment level, tobacco continues to deliver strong volume growth of 5% YoY, whereas EBIT growth has lagged revenue growth due to steep inflation in leaf tobacco prices. However, this year's supply has been higher, and leaf tobacco prices have started to correct. This should help ITC from H2. On the FMCG side, revenue growth was 7% YoY, despite GST-led disruptions in the quarter. The EBIT Margins for FMCG continue to improve. The Agri and paperboard business continues to be under pressure. The reported PAT grew by 4% YoY to Rs. 5,186cr.</p> <p>Raw material inflation has impacted the last few quarters, and we expect it to normalise in the coming quarters. The volume growth continues to be healthy, and an improvement in margins would result in 10-12% PAT growth.</p> <p>Key risks: government taxation on cigarettes, demand slowdown and raw material inflation.</p>
Narayana Hrudayalaya	<p>Narayana reported a revenue growth of 17% YoY, to Rs.1,644cr, and 30% YoY PAT growth at Rs.258cr. The India business has reported 9% YoY revenue growth to Rs.1,233cr. Lower footfalls from Bangladesh have impacted revenue growth, as revenue from international patients to India declined by 33% YoY. The entire revenue growth in India is primarily driven by higher ARPOBs. The India business EBITDA Margin improved by 200bps YoY to 21% in this quarter. The improvement in EBITDA Margin is mainly due to better case/bed mix and a reduction in clinic losses. We expect this trend to continue in the medium term, and thereafter, growth will be supported by the commissioning of new beds. The Cayman hospital business has been steady, with revenue of USD 42Mn (42% YoY growth), as the new hospital continues to scale up. The insurance business reported revenue of USD 9 Mn in this quarter, and insurance losses have fallen to < USD 1 Mn. At the Cayman consolidated level, the company reported EBITDA growth of 62% YoY to USD 16.5Mn. The Cayman Hospital scale-up will continue for a few more quarters, and this provides a better outlook for the medium term.</p> <p>Given the better profitability in India and further scale-up in Cayman operations, the company should deliver 20-25% PAT growth in the medium term. Post which, the addition of new beds in India will support the growth. During this quarter, the company has also announced the acquisition of 'Practice Group' in the U.K., thereby marking its entry into the U.K. The company has done quite well in Cayman, and management believes that it can execute similarly in the U.K.</p> <p>Key Risks: Delay in Capex, delay in UK turnaround and government interference in pricing.</p>
Mahindra & Mahindra	<p>M&M's topline grew by 21% YoY at Rs. 33,422 Cr in Q2 FY 26, with Autos growing at 18% and tractors at 31% YoY in what was a challenging quarter. The rise in the auto segment was driven by strong SUV sales, which increased by 10% in Q2 FY26 despite a transitory slowdown in dispatches owing to the GST rationalisation. Similarly, tractor sales grew 31% YoY, driven by the festive season falling in Q2 this year vs. Q3 last year. This increase was fuelled by a favourable monsoon that supported agriculture. As a result, M&M consolidated a 25.7% revenue market share in passenger vehicle (PV) sales (+3.7% YoY) and a 44.1% share in tractors for the 1H. EBITDA and Core PAT reported growth of 23% and 18% on a YoY basis to Rs. 4,862 Cr and 2,790 Cr, respectively. With the rationalisation of GST, M&M has refreshed its entire affordable segment, providing a strong base for earnings growth. On EVs, the company is slated to launch a vehicle in November and two more in CY26, providing a strong runway for sustained EV scale-up.</p> <p>Key risks include monsoon-related disruptions, EV adoption, and CAFE III compliance.</p>
Kovai Medical Centre and Hospitals	<p>The company's revenue grew 14.0% YoY to Rs. 392cr. The hospitals segment, which accounts for 95% of revenue, delivered a healthy 15% YoY growth, with EBIT margin of 23.6%. The existing Coimbatore facility will have growth levers for 2-3 more years, as the current utilisation is at ~60%. The ARPOB is currently at < 25,000, and there is scope for improvement here. The Chennai facility (OMR) will be commissioned by the end of this Financial year, and this will aid growth. The education business had a flat quarter, with revenue at 21cr and an EBIT Margin of 25.6%. The company reported PAT growth of 16% YoY to Rs. 59cr. The company is well-positioned for higher growth in the medium term on the backdrop of the new facility and ramp-up in the existing location. The stock is trading at a reasonable 25x FY26 multiple, with RoE of 19-20%.</p>

	Key risks: Government interference in pricing, delay in new capex.
Coromandel International	<p>Coromandel reported a 30% YoY growth in revenue for Q2 2026 at Rs. 9,654cr. The manufactured segment has reported flat volume growth in the fertilizer business. India experienced an above-normal monsoon at 108% of the long-period average; however, excess, unseasonal rains in August and September negatively impacted standing crops and the application of crop inputs. Reported gross profit was up 23% due to increased subsidies and better cost efficiency led by backward integration measures. EBITDA was up 18% YoY to Rs. 1,147cr, and PAT was up 21% YoY to Rs. 805cr. The low NBS rates in H1 2025 did not align with the increased raw material prices and negatively impacted the operational performance of all phosphatic manufacturers, albeit marginally. The subsidy rates have improved in H1 26. There's on an average 10% upward revision in nutrient-based subsidy (NBS) rates for H2 FY26, considering rising global raw material prices. In the crop protection business, the revenue growth was 42% YoY to Rs. 1,069cr, driven by the partial consolidation of NACL Industries for the quarter. Excluding NACL, the crop protection business reported 10% YoY growth, with an EBIT margin expansion of ~500bps. The domestic B2C business was impacted by erratic rainfall towards the end of the quarter, leading to lower spraying and offtake. Exports increased ~7% YoY, led by strong demand for Mancozeb in LATAM. The company has acquired NACL Industries in the current year, and the management has identified procurement inefficiencies at NACL as a key area for improvement. Efforts will be made to enhance procurement practices with the first objective of restoring EBITDA margins to historical levels of 9-10%. The company's ongoing phosphoric acid and sulfuric acid project at Kakinada (0.2mn tn) is progressing as planned, with commissioning expected by Q4 2026. Additionally, an NPK capacity expansion of 0.75 million tons at Kakinada has been initiated, with commercial production targeted for H2 2027.</p> <p>Structurally, the company is well-placed to battle cost inflation with reasonable capital allocation and governance. The company is well-positioned for the next growth cycle with a debt-free balance sheet. Coromandel is India's largest privately held non-urea (Phosphatic) fertilizer company with a diversified revenue mix of regulated and unregulated products. It has a 25%+ market share in India's NPK/complex fertilizer consumption. In Crop Protection, Coromandel has taken a slow and measured step to overhaul its portfolio from older generics to a mix of combination and in-licensed products from global innovators. Over the next few years, the company endeavours to reduce the share of subsidised businesses by investing in crop protection and other allied segments.</p> <p>Key risks to the investment could be a significant reduction in RM prices, leading to a correction in inventory valuation, unexpected regulatory developments, and the erratic monsoon.</p>
Oracle Financial Services Limited	<p>IT product firms often experience lumpy earnings due to the nature of their business. Large software deals, implementation projects, and licensing agreements can create significant revenue surges in certain quarters, followed by periods of relatively lower earnings. Therefore, evaluating these companies annually is crucial, smoothing out quarterly volatility to better understand their long-term performance. With the ongoing digital transformation within the banking and financial sectors, OFSS is poised to capitalise on the increasing demand for specialised software and services. Consequently, the medium- to long-term outlook for OFSS appears promising, driven by sustained growth in the financial technology sector.</p> <p>Oracle's revenue grew by 7% YoY to Rs.1,789cr in Q2 FY26 vs. Rs. 1,674cr, YoY. EBITDA margins compressed by 3% YoY to 42% due to operating deleverage & elevated costs, leading to a modest 1% YoY EBITDA growth at Rs. 755cr. The company reported PAT de-growth of 5% YoY to Rs. 546 cr, driven by lower other income. Deal wins were a positive contrast to the muted financials. OFSS signed twelve new customers in Q2 FY26, wins including five from the core banking platform and seven from payment solutions. This provides the company with strong demand visibility, driven by ongoing customer interest in transitioning to Oracle's cloud services. The company has maintained high levels of capital efficiency, reflected in 25%+ RoE on the back of an almost 100% dividend payout to shareholders.</p> <p>Key Risks: Slowdown in IT spending by enterprise clients.</p>

TD Power	<p>TD Power continued its strong performance, delivering 48% YoY revenue growth to Rs. 452cr and 48% YoY EBITDA growth to Rs. 83cr in Q2FY26, driven by operating leverage. Order inflows stood out at Rs.500 Cr, up 45% YoY, with domestic turbines growing steadily, international demand supported by data centres and grid stabilisation, and the motors business scaling well towards its Rs.150 Cr revenue target. Management has now upgraded guidance, with visibility into order inflows to sustain levels more than Rs.500 Cr, the highest for the company. The commissioning of the new Rs.400cr plant has begun in phases, ensuring the capacity required to execute the upcoming order pipeline. Key risks include any impact on business from US tariffs.</p>
CMS Info	<p>India's cash logistics sector is poised for robust growth, driven by several key factors. Despite the rise of digital payments, cash remains a vital component of the Indian economy, particularly in rural and semi-urban areas. The increasing penetration of ATMs, the expansion of retail networks, and the continued reliance on cash for everyday transactions drive sustained demand for efficient and secure cash management services. Furthermore, government initiatives promoting financial inclusion and outsourcing ATM management from public-sector banks will underscore the need for a reliable cash logistics infrastructure.</p> <p>Within this landscape, CMS Infosystems stands out as a leader, with ~58% market share in the ATM space, backed by its extensive route network, operational edge, and strong balance sheet.</p> <p>In Q2 FY26, CMS reported revenues of Rs.609cr. The cash management business posted 1% YoY growth, while the managed services segment delivered 2% YoY growth, constrained primarily by muted ATM usage, softer consumption trends, and delays in new ATM rollouts. EBITDA declined 10% YoY to Rs. 137cr, with margins contracting 190 bps YoY due to Rs. 10cr incremental provision linked to delayed payments from smaller MSPs and lower network utilisation, which drove operating deleverage. As a result, PAT declined by 20% YoY, from Rs. 91cr to Rs. 73cr. Looking ahead, the near-term outlook is constructive. Two large projects scheduled to commence in H2 FY26 should reaccelerate execution, leading to a recovery in margins as ATM deployments pick up and utilisation improves, thereby supporting operating leverage. The medium-term growth thesis remains intact, anchored by CMS's operational strengths, favourable shifts in the business mix away from traditional ATM cash management, and significant consolidation opportunities as smaller or inefficient players exit the market.</p> <p>Key Risks include a potential decrease in currency in circulation or a perceived decline in the cash economy. Within this landscape, CMS Infosystems stands out as a leader, boasting a market share of ~40% in the ATM space, backed by its extensive route network, operational edge, and strong balance sheet.</p>
South Indian Bank	<p>South Indian Bank delivered a steady quarter with accelerating RAM (Retail, Agriculture & MSME) growth and improving asset quality. PAT came in at Rs351cr, supported by healthy operating performance. Advances grew 3.6% QoQ / 9.8% YoY, with Retail +8% QoQ and MSME +6% QoQ, reflecting strong traction in priority focus segments. Retail growth continues to be gold-loan led (58% of incremental growth), with housing contributing 37% and vehicles ~10%, most of which was organically sourced (~85%). MSME disbursements are recovering, aided by strengthened underwriting, tech, and manpower additions. Management reaffirmed loan growth of ~12% for FY26, with higher internal aspirations as RAM scale-up continues. Deposit growth was 2.4% QoQ / 9.7% YoY, keeping the CD ratio stable at 78%. NIMs declined 23bps QoQ (after an 18bps fall in 1Q) as the large share of externally benchmarked short-tenor corporate loans repriced faster amid a sharper correction in short-term yields during the high-liquidity phase. Management expects NIM recovery from 2H onward, aided by repricing of deposits at lower rates, mix shift towards higher-yielding Retail & MSME, assuming no further rate cuts by RBI. Management aspires to exit FY26 with NIMs closer to ~3%, compared to ~2.8% currently. Cost-to-income rose to 59.6% due to lower treasury gains and softer margins, but cost-to-assets improved to 2.39%. Operating expenses growth remains tight at +1% YoY, supported by productivity benefits from earlier tech investments and employee rationalization. GNPA declined 22bps QoQ to 2.93% and NNPA improved 12bps to 0.56% with PCR up to ~81%. Gross slippages were stable at ~0.9%, while net slippages turned negative (-0.4%), aided by strong recoveries. Over the past three quarters, NNPA improved from 1.25% to 0.56%, reflecting a sustained clean-up. Restructured book reduced to 27bps, while SMA-2 improved to 0.3%. Credit costs moderated sharply, and management expects current levels to sustain, given healthier book quality. We remain</p>

constructive on South Indian Bank on the back of Strong Retail/MSME growth execution backed by infrastructure and manpower, Clear NIM recovery trajectory as mix improves, Structural asset-quality improvement, and contained credit costs, RoA trajectory improving toward 1%+ with visibility into FY27 uplift.

Key risks include slower margin recovery, competitive pressures on deposits, and pockets of Agri stress.

Alivus Life Sciences

Alivus Life Sciences (Previously Glenmark Life Sciences) reported revenue growth of 16% YoY in Q2 2026 to Rs. 588cr, with EBITDA and PAT growing by 33% and 36% YoY to Rs. 179cr and Rs. 130cr, respectively. The company has ~30% revenue contribution from erstwhile parent Glenmark Pharma, which reported 24% degrowth in revenues in the current quarter. The external sales (non-Glenmark) business reported 40% YoY revenue growth, primarily driven by volume growth. Glenmark's business will report recovery in the H2 FY26. API business reported 15% growth in Q1, while the CDMO business also reported 15% growth in revenues. In FY2026e, the company expects CDMO revenues to remain back-ended, due to the scale-up of the fourth project and the commercialisation of the fifth project. The market mix remains steady with regulated markets at 80%+. The core Therapy mix continues to be constant [CVS, CNS] while the urology segment has grown well. The company has maintained a ~29-30% margin despite PLI incentives going off in the recent quarters. Geographically, regions including India, LATAM, ROW and Japan contributed to the growth, while the USA had some impact due to destocking in a few key products.

With the divestment of the majority stake to Nirma Limited, the company will enter a new phase of growth. Under the new promoters, the company intends to significantly step up its investments while also exploring the incorporation of new chemistry platforms, increasing growth opportunities in the medium term. Alivus' focus remains on building a sizeable portfolio of low-to-mid-volume high-value APIs. Regarding its R&D efforts, the company endeavours to primarily focus on APIs, which can be commercialised in the next 3-5 years. The company intends to incur ~Rs. 350-400cr capex in FY26. At Solapur, The Company has received Environmental Clearance for installing a 1,000MT capacity for the planned greenfield site at Chincholi Industrial Area. Engineering work has started for the construction of 200KL in phase 1, and the total capacity of 1,000KL will be operational by FY28.

Key risks include a low extent of backward integration, with high KSM sourcing from top suppliers, regulatory risks, and customer concentration towards Glenmark Pharma, and higher Tariffs in the USA.

Marksans Pharma

Marksans Pharma reported revenue growth of 12% YoY at Rs. 720cr in Q2 2026. The revenue growth is mainly driven by the USA, the largest revenue contributing geography, growing 27% YoY. While the UK, Australia and ROW geographies reported flat revenues. EBITDA and PAT reported growth of 7% and 1% YoY to Rs. 145cr and 99cr, respectively. Gross margins were steady at 57% YoY, though lower YoY, subject to product-mix differences. Employee costs are up 23% YoY and 6% QoQ due to headcount additions at the acquired facility in Goa. Opex was steady YoY and QoQ. A higher effective tax rate YoY led to lower PAT growth relative to EBITDA/PBT growth of 7%. In the USA, the current order book is ~\$225 million. The company is targeting a \$300 million order book, potentially by FY28. The Unit 2 facility in Verna, Goa (the erstwhile Teva facility) completed a US FDA inspection with ZERO Form 483 observations. While Q1 2026 was the blip quarter with multiple line items getting hit in a quarter, Q2 2026 has normalised operating profitability with an improved outlook for the near term as well as the medium term. Marksans Pharma Ltd., established in 1992 and headquartered in Mumbai, is a global pharmaceutical company specialising in the research, manufacturing, and marketing of generic pharmaceutical formulations with a focus on OTC markets. With a robust presence in over 50 countries, including key markets like the United States, United Kingdom, Australia, and New Zealand, the company offers a diverse portfolio of over 300 products across various therapeutic segments such as pain management, cardiovascular, central nervous system, anti-diabetic, and gastrointestinal treatments. Marksans operates state-of-the-art manufacturing facilities in India, the UK, and the US, all compliant with stringent international regulatory standards like the US FDA, UK MHRA, and Australia's TGA. The company's strategic focus on quality assurance, cost-effective production, and strong R&D capabilities has positioned it among the top Indian pharmaceutical firms in the UK market. Under the leadership of CEO Mark

Saldanha, Marksans continues to expand its global footprint through strategic acquisitions and normalised levels. Bayer has gone through both structural and cyclical challenges in FY25: Layoffs and cutting middle management, optimising cost structure, the cost impact was of 78cr receivable provision and 30cr employee severance, supply-side disruption in the seeds business due to floods. While H1 2026 was impacted by unseasonal and excessive rains. Going forward, partnerships, reinforcing its commitment to delivering affordable healthcare solutions worldwide.

Key Risks: Higher Tariffs in the USA due to geographic concentration, inability to scale-up from the newly acquired facility, Regulatory Risks and Higher API and KSM prices.

Kotak Mahindra Bank

The bank reported PAT of Rs 3,253 cr vs Rs 3,282 cr in 1QFY26, with core performance impacted by lower NIMs. Advances grew 4.0% QoQ / 15.8% YoY, led by strong traction in Mortgages (+5.7% QoQ), Business Banking (+5.7%), and Tractor (+3.2%), while CV/CE lagged at +1.6%. Unsecured loan mix declined by ~50bps sequentially to 9.2% due to a 1.7% QoQ reduction across MFI, PL, and Credit Cards. Management remains focused on sensibly scaling PL and Cards to achieve ~15% unsecured mix over the medium term. The bank reiterated advance growth of 1.5–2.0x nominal GDP, with SME/Corporate activity improving and consumption demand normalising post-September. Margins declined ~11bps QoQ to 4.54% driven by repo rate cuts and lower unsecured mix. However, NIMs are expected to recover gradually as deposit repricing completes by 4QFY26–1QFY27, aided by the CRR reduction benefit from 3QFY26. Kotak continues to invest in franchise depth but remains disciplined on growth and pricing. Cost-to-assets improved 11bps QoQ to 2.65%, while opex grew just 0.6% YoY, the lowest among major private banks.

Automation-led efficiencies remain structural, with IT spend at ~14% of opex vs ~10% for peers. We believe that margin recovery, alongside operating leverage, can drive a 10–15bps structural improvement in RoA over the medium term.

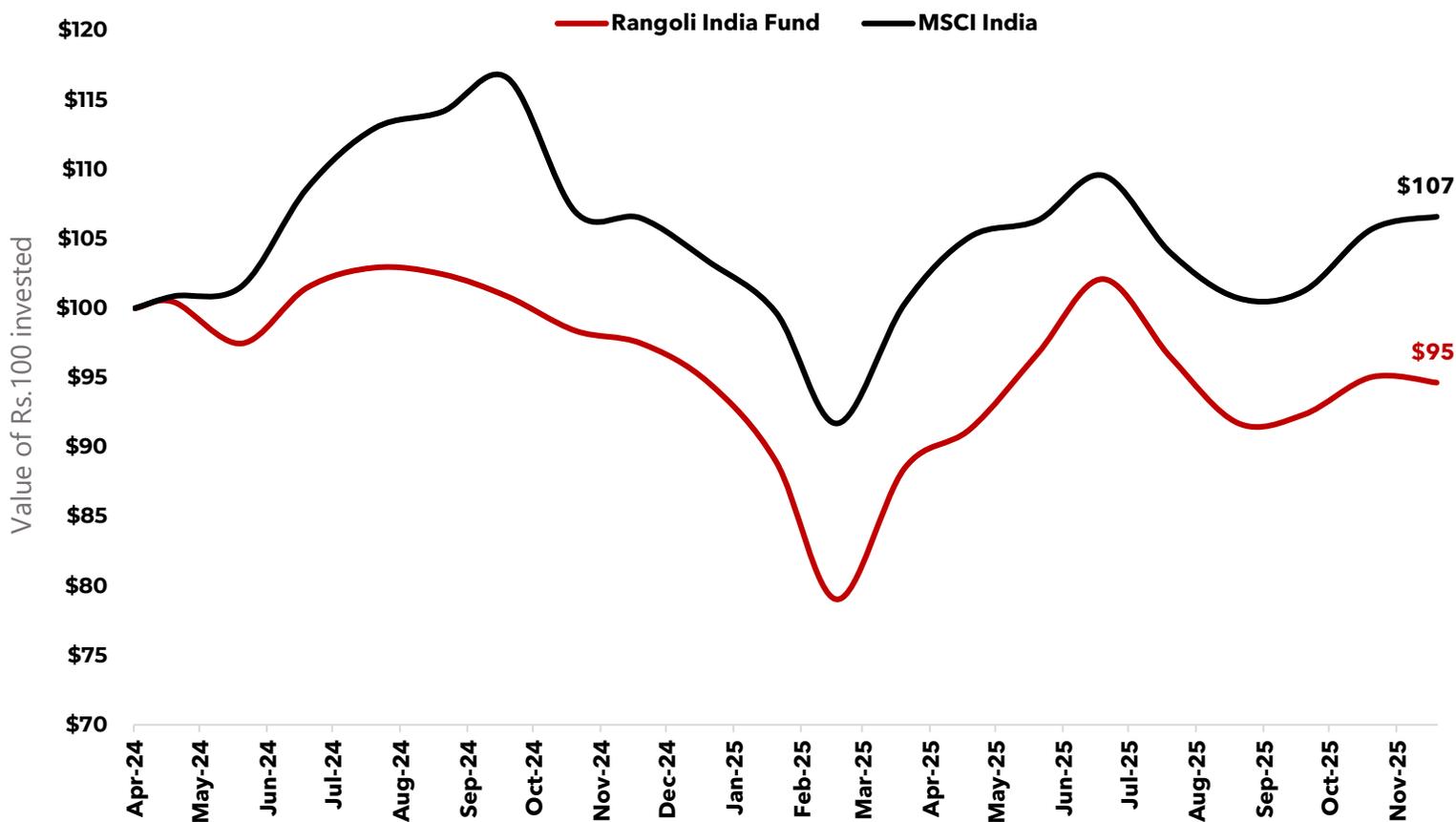
GNPA rose 9bps QoQ to 1.39%, NNPA up 2bps to 0.32%, with PCR stable at 77%. Slippages and credit costs improved sequentially, with Gross slippages at ~1.45% vs 1.7% in 1Q and Net slippages at 0.85% vs 1.18% in 1Q. Credit cost came at 84bps vs 1.1% in 1QFY26. Stress from Retail CV remains a watch point over the next couple of quarters, while MFI and CC stress have begun normalising. SMA-2 steady at 8bps, indicating no build-up of early stress. Management expects gradual credit-cost moderation, which aligns with our assumption of ~80bps in FY26 and ~60bps in FY27. We remain positive on Kotak on the back of accelerating growth momentum with a lower market-share base, Margin recovery triggers (deposit repricing + liquidity + cycle tailwinds), Asset-quality resilience with moderating credit costs, and Structural RoA improvement potential from cost efficiencies.

Key risks include slower NIM recovery, delayed unsecured growth revival, and prolonged stress in the Retail CV portfolio.

Bayer Crop Science

Bayer CropScience reported an 11% YoY decline in revenue to Rs. 1,553 cr in Q2 2026. Revenue growth was impacted due to unusually prolonged and excessive rainfall, which impacted field activities and product placement, resulting in significantly lower revenue from the Crop Protection portfolio. The corn seed business continued its growth momentum, driven by competitive hybrids. EBITDA and PAT reported growth of 12% each YoY to Rs. 205 cr and 153 cr, respectively. Gross margins improved 3% YoY in Q2 2026, led by better mix and lower input costs. Opex and Employee costs declined YoY in the absence of any one-offs and are back to normalised levels. Bayer has gone through both structural and cyclical challenges in FY25: Layoffs and cutting middle management, optimising cost structure, the cost impact was of 78cr receivable provision and 30cr employee severance, supply-side disruption in the seeds business due to floods. While H1 2026 was impacted by unseasonal and excessive rains. Going forward, most of the headwinds seem behind except for the input costs pressure in few categories. Bayer CropScience Ltd, an Indian subsidiary of Bayer AG, is a company that specialises in the marketing and distribution of a diverse range of crop protection products, including fungicides, insecticides herbicides, and seed treatment solutions. The company derives 94% of its revenue from the domestic market, with 3% coming from Germany, 2% from Bangladesh and 1% from the Rest of the World. The company has been in India for 125 years and has built strong leadership in the agrochemical segment and trust among the farmer community. The listed entity is a marketing and distribution company and thus has an asset-light model.

Key risks to the investment could be any impact on seed production because of seasonality, unexpected regulatory developments, and the erratic monsoon.,



Key Portfolio Metrics

It is important to note that each investment in the fund has been made on its own merit, and the portfolio characteristics are merely a by-product of the process. In sync with Unifi's philosophy, the aggregate portfolio has low leverage, demonstrates potential for strong earnings growth, and has reasonable valuations.

Valuation Parameters* (As on 28 th November 2025)	FY2026E	FY2027E
P/E Ratio	24.9x	21.0x
Earnings Growth	15.1%	17.3%
Debt Equity Ratio	-	-
ROE %	20.2%	20.9%
PE/ Growth Ratio	1.7	

*Adjusted for one-off to make figures representative.

We are continually monitoring the environment for any opportunities that have the potential to materially improve the portfolio composition. We will be writing to you again after the 3rd quarter results.

In closing, we encourage you to write to us or your relationship manager for a detailed review of the portfolio and understanding of our proposition in greater granularity.

Annexures:

Financial Details of Top Portfolio Companies

Company	Market Cap (USD Mn)	PBT (USD Mn)		YoY(%)	PAT (USD Mn)		P/E	ROE	Portfolio Weight
	3 rd Dec 2025	Q2 FY26	Q2 FY25		FY26E	FY 25	FY26e	FY26e	28 th Nov 2025
Redington	2,409	51	43	20%	173	149	13.9	18%	9%
Bank of Baroda	16,401	706	795	-11%	2,140	2,179	7.7	13%	8%
ITC	55,769	577	554	4%	2,454	2,229	22.7	30%	8%
Narayana Hrudayalaya	4,397	29	22	30%	105	88	41.7	23%	6%
Mahindra & Mahindra	38,944	675	549	23%	1,309	1,123	29.7	21%	6%
Kovai	703	9	7	16%	29	23	24.6	18%	5%
Coromandel	7,607	118	101	17%	249	196	30.6	19%	5%
Sagility	2,617	36	18	104%	93	60	28.1	10%	5%
Oracle	7,812	89	92	-4%	302	265	25.9	34%	4%
TD Power	1,329	9	6	46%	28	19	48.0	23%	4%
CMS Info	652	11	14	-22%	40	41	16.5	15%	3%
South Indian Bank	1,153	53	49	7%	142	145	8.1	12%	3%
Alivus Life Sciences Ltd	1,193	19	14	36%	61	54	19.6	18%	3%
Marksans Pharma	959	15	14	6%	42	43	23.0	13%	3%
Kotak Mahindra Bank	33,015	494	485	2%	1,570	1,517	21.0	11%	3%
Bayer Cropscience	2,254	22	21	5%	74	63	30.4	23%	3%
RPG Life Sciences	409	6	2	233%	13	12	30.9	20%	2%
ICICI Bank	110,144	1,823	1,724	6%	5,560	5,251	19.8	16%	2%
Garware	754	5	10	-48%	26	26	29.5	17%	2%
Can Fin Homes	1,310	37	30	21%	111	96	11.8	18%	2%
Aditya Birla AMC	2,322	35	37	-6%	113	104	20.6	26%	2%
Bajaj Auto	27,872	367	325	13%	1,048	931	26.6	29%	2%
Thomas Cook	747	9	12	-22%	30	30	24.7	25%	2%
S.J.S. Enterprises	606	6	4	49%	17	13	36.5	20%	2%
Caplin Point	1,595	22	19	19%	70	60	22.9	20%	2%
HDFC AMC	12,387	97	96	2%	334	274	37.1	35%	2%

RISK MANAGEMENT

While the environment is buoyant for India in the longer term, in the shorter to medium term, the aftereffects of unforeseen economic linkages from a recessionary West may be a risk. While India remains a largely domestic consumption-oriented economy, a rapid worsening of the economies in the West may affect their balance of trade with the World [including India] in the immediate to medium term. India's Current Account Deficit and foreign exchange reserves may be under pressure if energy prices remain elevated and rise. The recent softening of energy and commodity prices will assist India's macroeconomic case, but there remains the prospect of second or third-order impact from global macroeconomic and geo-political shocks.

Risk	Mitigants
Geo-political risks	Any geopolitical tensions between India and neighboring countries can disrupt supply chain in the region. This might have a non-linear impact on business.
Raw material inflation	India continues to be dependent on the supply of feedstock whose pricing is global in nature. Key categories would be crude, metals, minerals, and natural commodities. Sharp movement in their underlying prices will have a short-term financial impact on the companies. The situation in China [political] has the potential to disrupt the supply chain of a few of our investee companies.
Liquidity risk (in case of NBFCs)	The NBFC led liquidity crisis in India has had a systemic effect on the entire economy. Our investee companies have been able to tap diversified sources of liquidity on the back of their long-term track record of comfortable asset quality and asset-liability-management (ALM). However, sustained deterioration of the asset quality can continue to affect our holdings in Banks and NBFCs.
Foreign Exchange risk	Fund has invested exclusively in Indian Listed companies without employing any hedging strategies and hence the fund's investments face foreign exchange risk at the Fund level.
Leverage risk	Except for financial companies, most of the operating companies in the strategies carry nil to moderate debt on their balance sheets with a track record of having managed leverage well in the past. Their leverage is monitored regularly.
Technology Obsolescence	Technological changes can render the products/services of a company obsolete and thereby hurt its profitability and valuation. Such a risk is generally minimized by limiting the aggregate exposure of portfolio to such investments to less than 10% of value.
Governance risk	We avoid investing in companies with a known history of corporate governance issues. If such issue arises in an existing investment, we stop additional purchases and start optimally exiting the investment.
Concentration risk	At the portfolio level, such risks are minimized by limiting the aggregate exposure of portfolio to such investments to less than 10% of value at the time of investment.
Stock Illiquidity risk	High Impact cost, due to thin trading at the time of buying or selling is endemic to small & mid-caps. We plan our investment decisions, size of the investment and trading strategies to minimize the costs due to illiquidity.
Key Man Risk	Small and mid-caps are frequently managed by a key promoter / person on whom the business is completely reliant and without whom the business would be materially inferior. We generally avoid such names and in cases where we make any exceptions, the aggregate exposure of portfolio to such investments is limited to less than 10% by value.

Risk	Mitigants
Slowdown in global consumption	The wallet-share of the investee companies in the global manufacturing value chain, does not pose a significant risk of loss of business to their vendors. New and high growth areas such as Lithium-Ion batteries, EV vehicles are in relative infancy stage and have a strong growth curve ahead of them.
Softness in IT product spends	The convergence to digital software solutions is a 'must do' proposition and our investee companies have exhibited significant traction in competing in this space. A combination of their recent deal wins, and current bid pipelines bode well for their future.

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