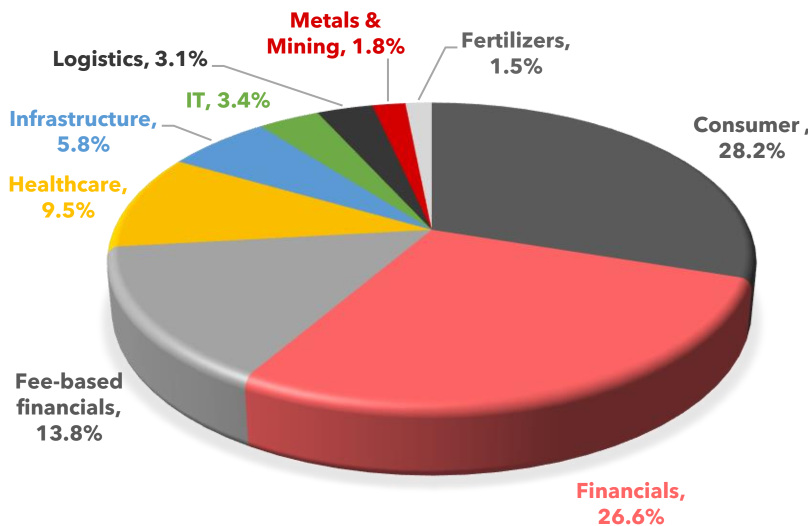
PORTFOLIO FACT SHEET : Q1-FY 2025

UNIFI UMBRELLA AIF – BCAD FUND

Background

The Umbrella BCAD AIF seeks to invest in sectors witnessing structurally high growth rates driven by demographic-led consumption and a larger stream of disposable incomes. The fund continues to focus on large formal operators with competitive advantage and scale, consolidating their position across consumer durables, building materials, food & beverages, healthcare, hospitality, etc. A review of the results from Q1 FY25 suggests that the respective sector leaders are well poised for market share gains in the post-pandemic world.

The sector-wise composition of the Unifi Umbrella BCAD AIF fund is as below:



Fund Details

Launch Date: 1st August 2022

Scheme Corpus: INR 5.3 bn

Firm AUM: INR 270.8 bn

Investment Manager: Unifi Capital Private Limited

Minimum Investment: INR 10 million

Custodian: Axis Bank Limited

Auditors: M/s. Walker Chandiok & Co LLP

Lawyer: IC Universal Legal

The following annexure present a brief on our top holdings:

Company	Brief background and Investment rationale
ITC	ITC reported revenue growth of 7.5% YoY to Rs. 18,457cr. The Cigarette business has done well, with 3% YoY volume growth and 6% YoY revenue growth. The premium segment continued to outperform, whereas the value segment showed weakness. FMCG segments delivered 6% revenue growth, adversely impacted by the severe heat waves and slow packaged food growth. The margins were slightly hurt by rising competitive pressure (from local and regional players), increased commodity prices, and weak demand. FMCG reported EBIT growth of 10% YoY to Rs. 479cr. The paper business faced challenges from demand issues, competition from China, lower pulp prices, and higher input costs, resulting in weak revenue and margins. The paper segment reported an EBIT decline of 46% YoY to Rs. 256cr. Recovery is anticipated with improvements in domestic demand and a reduction in wood prices following the arrival of new crops. The agribusiness exhibited improvement during the quarter; however, stock limits on wheat and export restrictions continued to hurt the business. Hotels sustained healthy performance, though margins were hit by operating deleverage. The company reported a consol PAT of Rs. 5,177cr in this quarter, i.e., flat on a YoY basis.

	Agri and Paper, which together account for 10% of EBIT, continue to drag profitability. We expect better FMCG and cigarette business growth during FY25, as a good monsoon might result in higher consumption. In the medium term, we expect cigarettes to benefit from a stable taxation regime and FMCG to do well in the premium segments. ITC should deliver 10-12% PAT CAGR for the next few years. Key risks: government taxation on cigarettes, demand slowdown, and raw material inflation.
State Bank of India	SBI reported PAT of Rs 17,035crs in Q1FY25 vs Rs 20,698cr in Q4FY24 and Rs 16,884crs in Q1FY24. SBI reported ~1.2% QoQ / 15.9% YoY loan growth led by Retail, MSME, and domestic corporate segment. Domestic corporate loans were flat on a sequential basis. Management remains confident about loan growth in the corporate book as the sanctions pipeline remains healthy. Non-renewable, housing, renewable, electronic, basic metals, chemicals, etc., shall drive corporate growth. Management mentioned that lower loan growth in 1Q was seasonal and guided for loan growth of 15% for FY25 led by growth across all segments. Excluding one-offs in 4QFY24, margins were largely stable sequentially. On a reported basis, margins declined by 8bps QoQ to 3.22%. Margins are expected to remain at similar levels in FY25. +/-10bps. Cost to Income declined to 49% vs 51% in 4QFY24. The cost-to-income ratio is expected to remain closer to 50% on a sustainable basis. Gross NPA improved by ~3bp QoQ to 2.21%, 3bps QoQ to 2.21%, while Net NPA were3bps QoQ to 2.21% and 3bps QoQ to 2.21%, while Net NPA was stable on a sequential basis at 0.57%. Provision coverage was also stable at 75% sequentially. Gross slippages stood at 0.9% vs 0.5% in 4QFY24. Slippages are seasonally higher in 1Q and 3Q due to higher agriculture slippages. Net slippages stood at 0.5% vs 0.2 in 4QFY24. Credit cost was 37bps vs 18bps in 4QFY24. COVID restructured book declined by 3bps QoQ to 0.43%. The bank has ~30-35% provisions on the restructured book. ~90% of the restructured book is towards the Retail and SME segment. Management guided credit cost of 50bps for FY25, but the internal target is much lower. Management reiterated that they are comfortable with current capital and may raise only when loan growth exceeds expectations. Key risks include lower-than-expected loan growth, deterioration of asset quality, higher-than-expected credit costs, and higher treasury losses.
Narayana Hrudayalaya	Narayana reported revenue growth of 8.8% YoY to Rs. 1,341cr. After a blip of two quarters, India's business recovered. It reported 8.5% YoY revenue growth to Rs. 1,074cr. The entire revenue growth has been a function of the ARPOB increase. Over the last few quarters, the company has extensively tried to optimise the payor mix in Bangalore and Kolkata. The ARPOB touched a new high of Rs. 41,370 in the quarter i.e. a growth of 11% YoY. The India business also reported an EBITDA Margin expansion to 18.3% vs. 17.0% in Q1FY24. The hospital business margin expansion is further high, as the insurance business reported a 12cr loss per quarter. The Cayman business reported steady-state numbers in the quarter, with revenue growth of 7% YoY and margins at 40%. The new Cayman hospital was inaugurated in July. It will be open to the public once the regulator approves, which is expected by September. Narayana's current hospital offers tertiary healthcare services to medical tourists and Caymanians from its existing unit, about 30 km from the city's centre. Given the distance from the main town, there are few OPD cases at the existing facility.

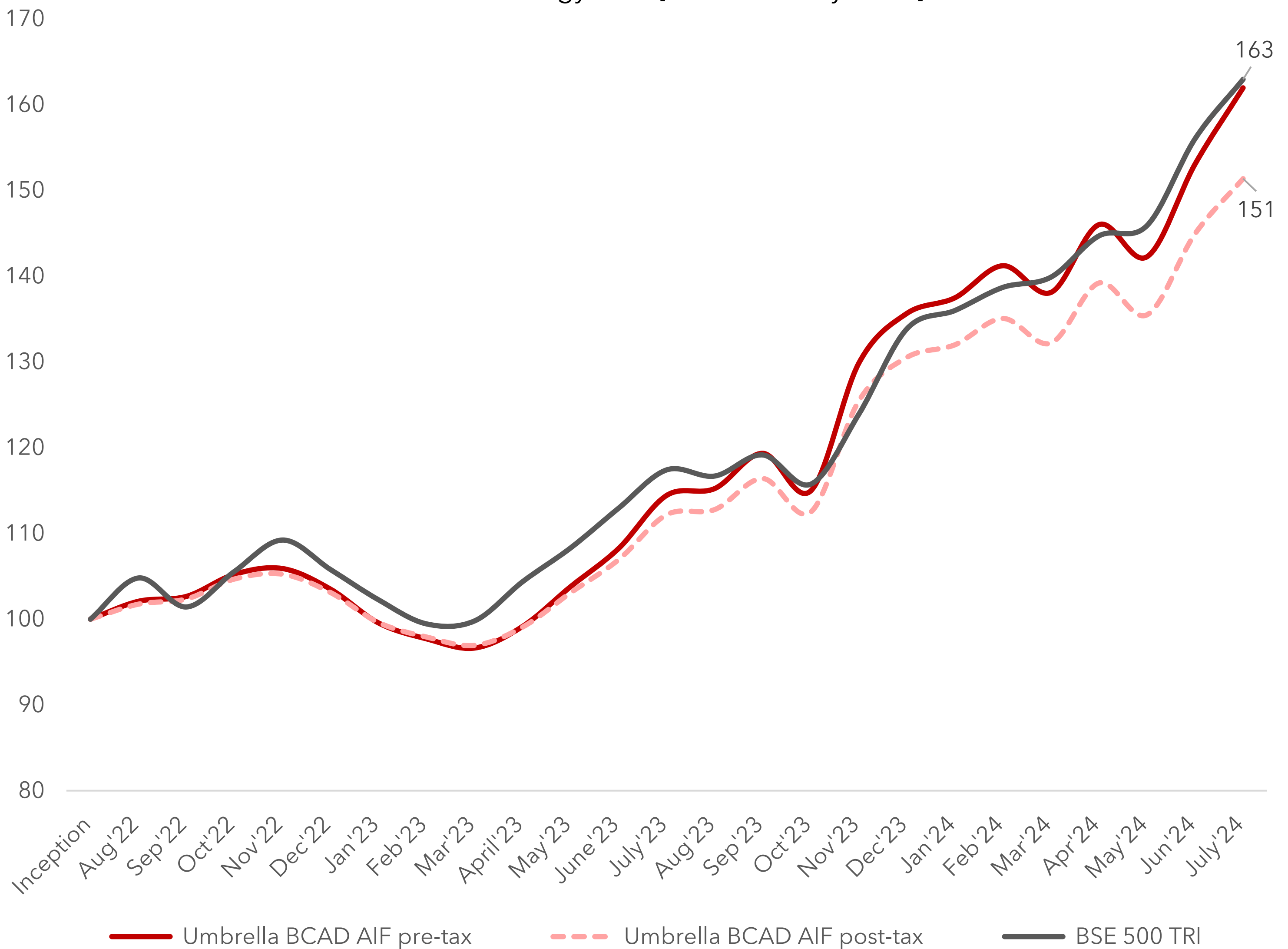
	The new hospital will combine tertiary services with regular OPD services. The new facility, commissioned now, will include a neonatal intensive care unit, pregnancy delivery, paediatrics, emergency and critical care, and a fully equipped radiology department. It would also include a primary and secondary care unit. The company reported consol EBITDA margin of 22.7% in the quarter vs 21.9% in Q4FY23. PAT grew by 10% YoY at Rs. 202cr. The new Cayman Hospital plus capex in Kolkata and Bangalore will help the company to deliver higher earnings growth in the medium term. Key Risks: Delay in Capex, government interference in pricing.
Redington	Redington is a global distribution company with a presence across 40 markets. It covers the entire gamut of IT products, smartphones, and offers services and solutions across Managed, Cloud, and Logistics. The company partners with 300+ brand associations and services 43,000+ channel partners. Redington reported flat revenues YoY at Rs.21,282cr. India grew 6% YoY, while global sales were down 4% YoY. Domestic growth was lower due to a soft-demand environment following the elections. International sales were affected by degrowth in geographies like Turkey and Saudi Arabia. EBITDA margins were lower by 20 bps YoY due to weakness in gross profits and higher factoring costs. The management believes that the subdued demand is transient, and underlying demand continues to rebound across geographies. They focus on profitable growth with a controlled cost structure and rightsizing investments. From a capital allocation standpoint, the company’s return ratio is healthy, and the company continues to pay out 40% of PAT as dividends, which results in a dividend yield of 3%. We like Redington, given that they are amongst the top 2 ICT distributors across the markets in which it operates. The company’s dominant positioning and financial muscle give it a significant competitive advantage in a business with high entry barriers. Redington has created a strong services business in 3rd party logistics and the high-margin cloud business. Redington's broad portfolio and relationships with vendors across segments allow for balanced growth and reduce vendor concentration. Redington has demonstrated robust risk management practices over cycles that help better manage credit, inventory, and currency risks. A significant shift in consumer and enterprise behaviour has led to a higher need for higher computing, leading to shorter product life cycles and the acceptance of premiumization. This tailwind benefits Redington. Key risks include a higher interest rate regime environment, delayed margin recovery, and slowdowns/delays in the high-margin enterprise business.
360 One WAM	360 One is amongst the largest wealth and asset managers in India, with an AUM of 5.2 lakh crores. Revenues were higher sequentially at 600cr vs 573cr, driven by the transactional income and steadily growing annual recurring income. Transactional income for the quarter was Rs. 225cr vs Rs.216cr sequentially. The recurring AUM is 2.2 lakh crores, up 33% YoY – wealth management at 4.4 lakh cr and asset management at 0.8 lakh cr. Recurring yields (ex of carry income) continue to hold steady QoQ. On the cost front, there is a 117cr one-time expense for the UK Court case. This is an out-of-court settlement. Additionally, the case had got dragged to FY26, and management was incurring c.25-30cr in legal expenses (incurred in FY24 + ongoing for FY25). After factoring all this in, the reported PAT is 243cr, which is 1% higher sequentially.

	Attrition continues to be low at 1.4% (lowest in the industry), and hiring senior employees has been strengthened, with the addition of 35+ senior and experienced partners. For the past few quarters, 360 One has moved into an investment mode to prepare for the next leg of growth that will commence in FY25 and significantly shape up by FY26. 360 One' cost to income has moved from 45% at the start of the year to 49% presently due to hirings across these future growth engines. The breakup of this is as follows - 1.2% of costs have been made to hire additional senior management teams in the UHNI segment. Another 1.2% of the cost is attributed to the mid-market HNI team. This is expected to go live in the first half of FY25. The final 1.2% of the cost is attributed to the global business team. The endeavour is to tap the global Indian and NRIs in key cities such as Singapore, Dubai, and London. All this increased headcount is built into the cost and will help drive revenue. 360 One continues to be a dominant force in the UHNI segment and has the potential to expand the addressable opportunity in mid-market and global opportunities. The cost to income is expected to start tapering off by 1-1.5% starting FY25 as the resources will begin to generate revenues. Dividend payout continued to be in the 70-80% guided range. From a growth perspective, management expects net AUM inflows of 20,000-30,000cr in FY25 from existing business across wealth and asset management coupled with MTM gains. Yields to remain broadly constant. AUM from new lines of business will be over and above. The HNI / UHNI cohort is expected to compound wealth faster over other segments like the affluent, emerging affluent and mass affluent in the next few years. 360 One is a formidable player with good execution positioned to capture this growth. We like the business given these sector tailwinds which will enable 360 One to grow faster than the industry. There is also the shift of assets from physical to digital. 360 One has an industry-leading business model, demonstrated exceptional capabilities and a strong leadership and management team. Key risks would include a slowdown in net inflows and any employee/client attrition.
Karur Vysya Bank	KVB reported PAT of Rs 459crs vs Rs 456crs in 4QFY24 and Rs 359crs in 1QFY24. Loan book grew by 4.5% QoQ / 16.7% YoY led by Commercial, Retail and Agriculture segments which grew by 5-7% sequentially while corporate book declined by 2.1% QoQ. Mix of Agri, commercial and Retail segment improved by ~110bps QoQ to ~82.4%. Management had guided that the mix should improve to ~85% over the next few yrs led by consumer banking. The bank continued to be conservative on loan growth of ~14% for FY25, like FY24, although the internal target is higher. Margins declined by 6bps sequentially to 4.13% led by higher cost of deposits. Shedding of low-yielding corporate loans has resulted in higher margins over the past few quarters. Management intends to maintain margin at 4% plus in 1HFY25. Cost ratio improved on sequential basis to 47.2% vs 49.6% in 4QFY24 (Excluding one-offs). Management has guided that considering its business expansion plans, cost to income ratio should be in the range of ~45-50 for FY25. Asset quality improved sequentially as GNPA declined by ~8bps QoQ to 1.3%. Net NPA declined by 2bps QoQ to 0.38%. Provision coverage was stable at 74% sequentially. Gross slippages improved to 95bps vs 112bps in 4QFY24. Net slippages also improved to 46bps vs 51bps in 4QFY24. Management intends to keep gross slippages below 1% during FY25. Reported credit cost stood at 0.7% vs 1.8% in 4QFY24. Excluding provision reversal from other income, credit cost for 4QFY24 stood at 75bps. The bank has provided Rs 25crs each quarter towards floating provision since 1QFY24. The bank has created a floating provision of Rs 125crs as on 1QFY25 (16bps of loan book). Management guided for credit cost of ~75bps for FY25 excluding floating provisions. SMA 1 & 2 numbers declined by ~6bps sequentially to 0.43%, restricting incremental slippage flow. Key risks would include lower-than-expected loan growth, asset quality deterioration leading to higher-than-expected credit costs, and higher treasury losses.

NCC	NCC delivered revenue growth of 26% YoY to Rs. 5,528cr. This is very strong growth as execution gets impacted during the elections quarter. The quarter's EBITDA Margin was 8.6% vs. 9.3% in Q1FY24. The drop in margin is primarily due to the project mix. Management reiterated 9-10% margin guidance for the full year. The company reported EBITDA growth of 17% YoY to Rs. 478cr. Finance cost as a % of revenue declined to 2.8% vs. 3.0% in Q1FY24. With depreciation and other income largely stable, the company reported PBT growth of 19.3% YoY and PAT growth of 21.7% YoY. Though the execution is strong, the order inflows in Q1 have been very muted, with just 408cr. NCC has no international presence; even in India, it does predominantly central government projects. Elections and the formation of government have impacted the order inflows until now. However, the company has a strong L1 of Rs. 8,500cr, and management expects this to be converted to order inflows in Q2/Q3. Now that the budget is over, the company expects order inflows to begin and maintain the order inflow guidance of 20,000-22,000cr this year. However, the existing order book is quite high; even after Q1 execution, it is at Rs. 52,626cr. NCC is a diversified player with presence across multiple geographies and multiple segments. Over the years, the company has significantly improved its balance sheet. We expect NCC to benefit from the infrastructure spends in the country. Key risks: Slowdown in the order inflows and competition impacting margins.
Indian Energy Exchange	IEX reported revenue growth of 19.0% YoY to Rs. 124cr, which is total volume-led growth. IEX reported volume growth of 20.6% YoY in the quarter led by strong demand and improved power availability. The higher availability of power on exchanges has resulted in tariffs of 4-6/unit even though the demand growth is very high. The EBITDA Margin in the quarter came in at 80.4% vs 78.4% in Q1FY24. The PAT grew by 27% YoY to Rs. 96cr. The PAT growth has also been aided by improvements in gas exchange volumes. The gas exchange is seeing a turnaround due to a decline in gas prices. IEX and the other exchanges are structurally benefitting from high power demand and the government’s efforts to ensure power availability. The outlook for IEX volume growth is improving, and the new products should further aid in the growth. In the medium term, the company is also trying to diversify from just being a power exchange. Key Risks: Implementation of market coupling and lower electricity demand growth in the country.
Bank of Baroda	BoB reported PAT of Rs 4,458crs vs Rs 4,886crs in Q4FY24 and Rs 4,070crs in Q1FY24. Loan book declined by 1.7% sequentially and grew by 8.8% YoY. Moderation in loan growth was led by corporate book, which fell by 4.7% QoQ. It grew 3.8% on a YoY basis. Management mentioned that moderation in corporate growth was a cautious call as it intends to reduce its dependence on bulk deposits, which funded these low-yielding corporate loans. Adjusting for the same, corporate loans grew by 10-12% YoY. The bank reiterated its guidance of 12-14% loan growth and ~10-12% deposit growth for FY25. Margins improved by ~4bps sequentially to 3.18%, excluding one-offs in Q4FY24. During Q4FY24, the bank had higher recoveries, leading to higher interest income and margins. Management reiterated its guidance of 3.15% (+/- 5bps) margins for FY25 vs 3.18% in FY24. Cost ratios were stable on a sequential basis. Gross NPA improved by ~4bp QoQ to 2.88%, while Net NPA was stable sequentially at ~69bps. SBI has a Net NPA of ~64bps. Provision coverage was stable sequentially at ~77%. Gross slippages stood at 1.13% vs. 1.25% in Q4FY24. Due to higher Agri slippages

	in 1Q and 3Q, slippages are seasonally higher. Net slippages stood at 0.51% vs 0.46 in Q4FY24. Credit cost stood at 38bps vs 50bps in Q4FY24 led by lower net slippages. Management reiterated its guidance of ~1.2% gross slippages for FY25. Management is confident about the asset quality profile for all business segments and has lowered its credit cost guidance from below 1% to below 0.75%. Management mentioned that ECL (Expected Credit Loss) guidelines won't impact its credit cost guidance. Key risks would include lower-than-expected loan growth, asset quality deterioration leading to higher-than-expected credit costs and higher treasury losses.
RBL Bank	RBL reported PAT of Rs 372crs vs ~Rs 352crs in Q4FY24 and Rs 288crs in Q1FY24. Loan book grew by 3.2% QoQ / 18.6% YoY led by both retail which grew by 9.3% QoQ / 31% YoY. Corporate book declined by 5.4% QoQ and grew by 2.3% YoY. Retail mix improved to 62% vs 58.5% sequentially. Management has guided for retail loan mix of 60-65% by FY26. Management has guided a 60-65% retail loan mix by FY26. Management guided loan growth of ~20% led by retail portfolio. During the quarter, margins improved by ~22bps QoQ to 5.7% led by interest on income tax refund. Excluding the interest on income tax refund income tax refund, margins would have been stable on sequential basis. Management guided that margins will likely remain at similar levels during 2QFY25 and should improve in H2FY25. During the quarter, cost to income ratio increased by ~70bps QoQ to ~65.7% excluding one-offs. Management guided that cost ratio shall improve by ~2-3% annually. Improvement in cost ratios shall be led by improvement of internal sourcing, operating leverage in new lines of business, and margin improvement. Gross NPA increased marginally by 3bps sequentially to 2.62%. Net NPA was stable at 74bps on a sequential basis. PCR (Provision coverage) was also stable at 73% sequentially. Gross slippages were stable sequentially at 3.4%, while Net slippages increased to 2.5% vs 2.2% 4QFY24. During Q1FY25, ~Rs 95crs of AIF provision were reversed out of RS 115crs during 3QFY24. Excluding AIF provision reversal, credit cost stood at 2.2% for the quarter. The bank has reported lower credit costs of ~1.5-1.7% over the past few quarters as they benefited from COVID-related recoveries. Recoveries have normalized now, so the bank has guided for credit cost of ~2% in FY25. Restructured standard book declined to 0.44% vs 0.51% in 4QFY24. Key risks would include lower-than-expected loan growth, asset quality deterioration leading to higher-than-expected credit costs and higher treasury losses.
Oracle Fin Services Software	Oracle reported a 19% YoY revenue growth to 1,741cr in the first quarter, driven by order wins of $35 million. This performance exceeded expectations, especially since the second half of the year is usually the most critical period for the company in terms of securing new orders. The license and maintenance fees were up 35% YoY and 16% YoY, respectively. Margins were up from 42.5% to 48.6% YoY on account of operating leverage. As a result, PAT grew at 23% YoY to 617cr in this quarter. The demand environment appears favourable for the company, with ongoing customer interest in transitioning to Oracle's cloud services. This transition provides stability in the revenue profile by shifting from transactional to recurring in nature. The company has maintained high levels of capital efficiency, reflected in 25%+ RoE in the past on the back of an almost 100% dividend payout to shareholders. Key Risks: Slowdown in IT spends

CMS Infosystems	CMS Infosystems reported revenue growth of 17% YoY to 387cr in Q1FY25. The Managed Services segment grew at a higher rate of 35% on the back of large order wins this quarter. Cash Management Service grew by 10% on account of an increase in touch points. Overall, PAT grew by 8% YoY, lower due to ESOP charges during the quarter. ESOP-adjusted growth was 18% YoY in line with our expectations. The management is confident that the Managed Services segment (Non-Cash Business) will continue to grow at a higher rate. They expect the company to meet the upper end of the revenue guidance, which is set at Rs. 2,500-2,700 cr. This projection indicates that the company is on track for high double-digit growth for the rest of the year. Key Risks: Slowdown in bank note currency circulation



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 23rd Aug 2024)	**FY2024**	**FY2025E**
P/E Ratio	28.9	25.1
Earnings Growth	22.0%	16.3%
Debt Equity Ratio	0.08	0.06
ROE %	21.8%	22.5%
PE/ Growth Ratio	1.5	

**Adjusted for one-off to make figures representative.*

We are continually monitoring the environment for any opportunities that have potential to materially improve the portfolio composition. We will be writing to you again post the 2nd 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

	Market Cap (Rs. Cr)	**PBT (Rs.cr)**		**YoY**	**PAT (Rs. Cr)**		**P/E**	**ROE**	**Portfolio Weight (%)**
Company	**23rd Aug 2024**	**Q1 24**	**Q1 25**		**FY 24**	**FY 25E**	**FY 25E**	**FY 25E**	**23rd Aug 2024**
ITC	631,089	6,940	6,930	0%	20,751	22,904	27.6	32%	8.1%
State Bank of India	731,135	22,796	22,999	1%	61,077	66,806	10.9	18%	7.8%
Narayana Hrudayalaya	25,777	206	232	13%	790	849	30.4	26%	7.6%
Redington	16,331	352	292	-17%	1,239	1,258	13.0	16%	7.4%
360 One WAM	39,981	224	345	54%	802	943	42.4	26%	7.2%
Karur Vysya Bank	17,976	489	613	25%	1,605	1,846	9.7	17%	5.4%
NCC	20,151	252	300	19%	740	1,065	18.9	15%	4.7%

	Market Cap (Rs. Cr)	PBT (Rs.cr)		YoY	PAT (Rs. Cr)		P/E	ROE	Portfolio Weight (%)
Company	**23rd Aug 2024**	**Q1 24**	**Q1 25**		**FY 24**	**FY 25E**	**FY 25E**	**FY 25E**	**23rd Aug 2024**
IEX	17,386	101	128	27%	351	428	40.6	38%	4.4%
Bank of Baroda	131,147	5,878	6,151	5%	17,789	19,458	6.7	16%	4.4%
RBL Bank	13,997	381	493	29%	1,168	1,704	8.2	11%	4.1%
OFSS	96,279	707	873	23%	2,219	2,436	39.5	30%	3.2%
CMS Info Systems	9,342	114	121	6%	347	403	23.2	21%	3.1%
RP Tech	2,860	67	73	9%	144	220	13.0	13%	3.0%
CG Consumer	29,744	156	203	30%	442	587	50.7	21%	3.0%
Fedfina	4,517	72	94	31%	245	330	13.7	14%	2.8%
Thomas Cook	10,241	101	109	8%	272	251	40.8	12%	2.6%
Aadhar Housing Fin.	17,000	187	257	37%	750	877	19.4	16%	2.4%
Kfin Tech	17,408	60	92	53%	246	300	58.0	24%	2.3%
Kewal Kiran	3,855	41	35	-15%	154	152	25.4	21%	2.2%
Senco Gold	8,527	37	71	92%	181	207	41.2	14%	2.0%
Glenmark Life Sciences	12,721	182	150	-18%	471	520	24.5	24%	1.9%
NMDC	66,290	2,212	2,608	18%	5,571	5,897	11.2	23%	1.8%
Coromandel Int.	52,467	661	442	-33%	1,641	1,705	30.8	23%	1.4%
Jindal Saw	21,799	354	588	66%	1,593	1,764	12.4	17%	1.1%

CLASSIFICATION OF MARKET CAP

Segment	Basis	%
Large Cap	> Rs. 84,300cr	25.2%
Mid Cap	> Rs. 27,500 cr < Rs. 84,300 cr	19.3%
Small Cap	< Rs. 27,500 cr	49.4%
Cash		6.2%
Total		**100%**

LIQUIDITY ANALYSIS

Segment	% of portfolio
1 day	53.9%
Between 1 & 3 days	27.7%
Between 3 & 7 days	17.3%
Greater than 7 days	4.9%
Total	**93.9%**

CRISIL CAT III AIF BENCHMARKS DATA [as of 30th Sep 2023]

Index	1 Year (%)
BCAD Fund (Scheme of Unifi Umbrella AIF)	14.22%
CRISIL AIF Index – Long Only Equity Funds (open ended) (INR)	17.15%

Values as of September 30, 2023
Schemes that have completed at least one year since their first close as of September 30, 2023, have been considered for the benchmark. In all, 179 schemes have been considered for the above analysis.
Returns refer to post-expense, pre-carry, pre-tax values. Returns for more than one year are annualised.

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	Level	Mitigants
Concentration Risk	Fund	At the portfolio level, such risks are minimized by limiting the aggregate exposure of the portfolio to such investments to less than 10% of the value at the time of investment.
Foreign Exchange Risk	Fund	Fund has invested in only Indian Listed companies and hence the fund's investments do not face any foreign exchange risk at the Fund level.
Leverage Risk	Investee Company/Fund	Fund has not taken any leverage at the Fund level. Except for financial companies, most of the investee 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.
Realization Risk	Investee Company/Fund	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, the size of the investment and trading strategies to minimize the realization risk.
Strategy Risk	Investee Company	Investments are evaluated from a bottom-up and top-down perspective. The fund investments align with the segments of the economy that are emerging and companies that have characteristics which make them the dominant participants in their industry. The investments are assessed through a detailed financial model that captures historical performance and forward estimates based on publicly disclosed documents. The investment team rigorously undertakes quarterly diligence for any change in the investment thesis.
Reputation Risk	Investee Company	Company selection starts with rigorous fundamental analysis and a historical performance review supported by a detailed financial model constructed internally. We have an internally designed governance framework vetted over many years. This governance framework helps us in evaluating companies that meet our internal guidelines. We evaluate the investee companies both at an absolute and relative level. Periodic maintenance diligence of management/ financials has been done for Investee companies. management/ financials has been done for Investee companies.
Extra Financial Risk	Investee Company/Fund	We avoid investing in companies with a known history of corporate governance issues. If such an issue arises in an existing investment, we stop additional purchases and start optimally exiting the investment. Our governance framework helps us in identifying any lapses in corporate governance. We actively monitor all publicly disclosed documents regarding ESG [Environmental, social, and corporate governance]. Any reported misconduct is evaluated by the investment committee for further action.

Geopolitical risks	Investee Company	Geopolitical tensions globally can disrupt the supply chain in the region. This might have a non-linear impact on business.
Raw material inflation	Investee Company	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.
Key Man Risk	Investee Company	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 the portfolio to such investments is limited to less than 10% by value.

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