Spark Capital
Private Wealth Management

# India Investment Strategy

February 2026

*" When the facts change, I change my mind. What do you do, Sir?"* - John M Keynes (Founder of Modern Macroeconomics)

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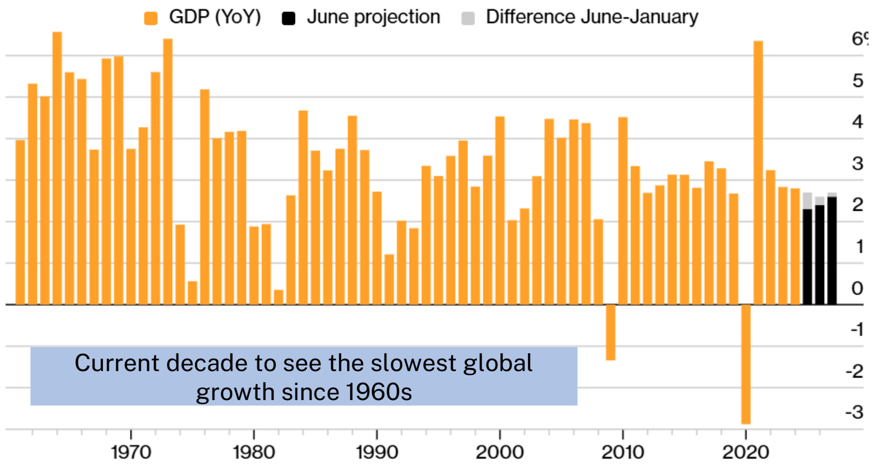
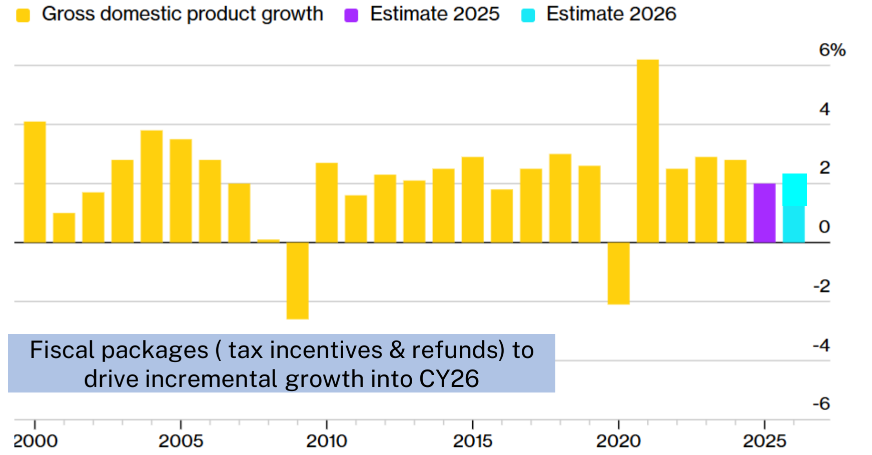
# External Cues – Global Growth : Steady amid divergence; risks skewed to the downside

Global growth remains steady through CY26–27, but lacks re-acceleration. Structural headwinds from trade uncertainty, geopolitics and public debt persist but are partially offset by AI-led capex and policy support. Downside risks remain dominant, particularly from overestimated AI productivity gains, renewed trade frictions and deteriorating fiscal dynamics in major developed markets.

## 1 Global Growth: Stability without Acceleration



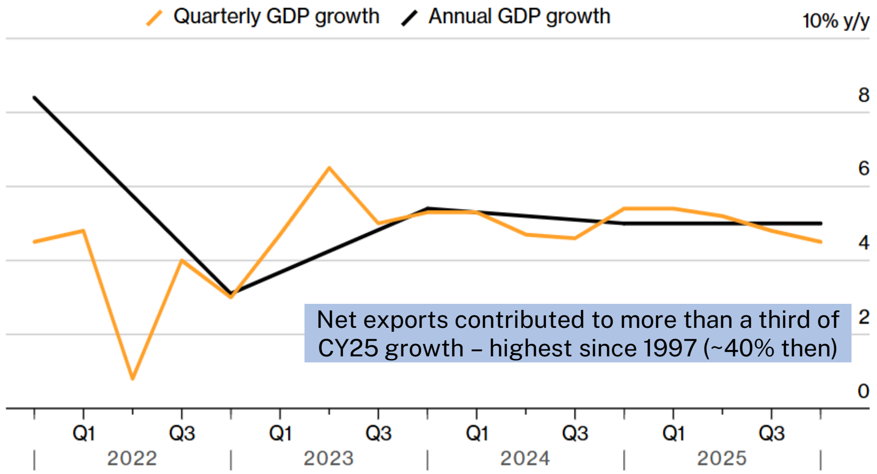

## 2 US growth to stay strong , IT spend remains key



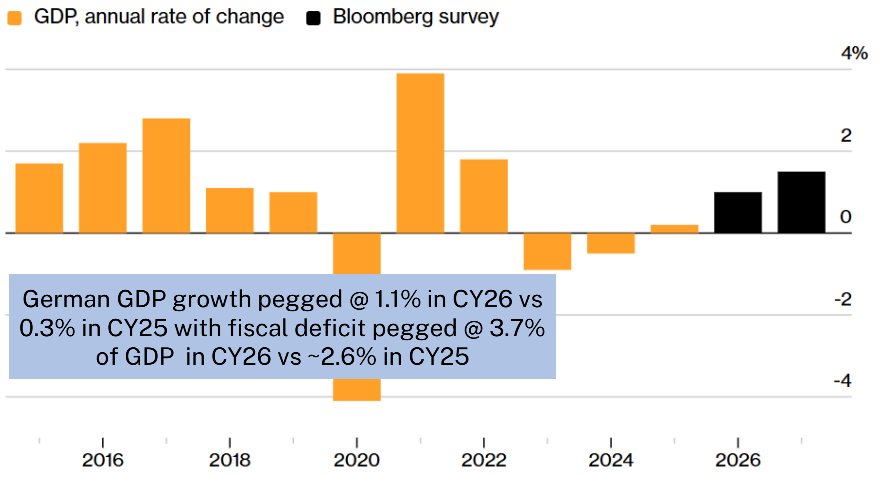

US GDP growth to remain robust into CY26, as CY25 drag from tariff increases fades. Fiscal measures under the One Big Beautiful Bill Act, incl. business & personal tax cuts, are expected to lift CY26 GDP growth by ~0.3%, IT/ Tech-led investment continues to be a key pillar supporting growth. Key risks stem from potential labor market softening although further fiscal measures could be introduced ahead of the upcoming mid-term elections to cushion the impact

While China delivered ~**5% growth in CY25**, growth momentum **deteriorated meaningfully through the year**, with **Q4 growth the weakest since 2022. Nominal GDP growth has declined to a four-decade low (~4%)**, reflecting persistent deflationary pressures since 2023. **Exports have been the sole meaningful driver of growth**, while both consumption and investment have slowed materially—raising concerns around the sustainability of the current growth mix into CY26.

## 3 Lopsided Chinese growth – Hard to sustain in CY26




## 4 Eurozone seeing steady recovery : Germany leads




The Eurozone is expected to see a **modest cyclical improvement in CY26**, led by **Germany's fiscal stimulus**, fading tariff-related headwinds and a gradual pick-up in spending. Growth could receive incremental support if **energy prices cool**, potentially aided by a ceasefire in Ukraine. However, the recovery remains **largely cyclical**, with **structural challenges around productivity and competition from Chinese exports** continuing to cap medium-term upside.

*Source : IMF, Bloomberg*

# External Cues – Global Growth

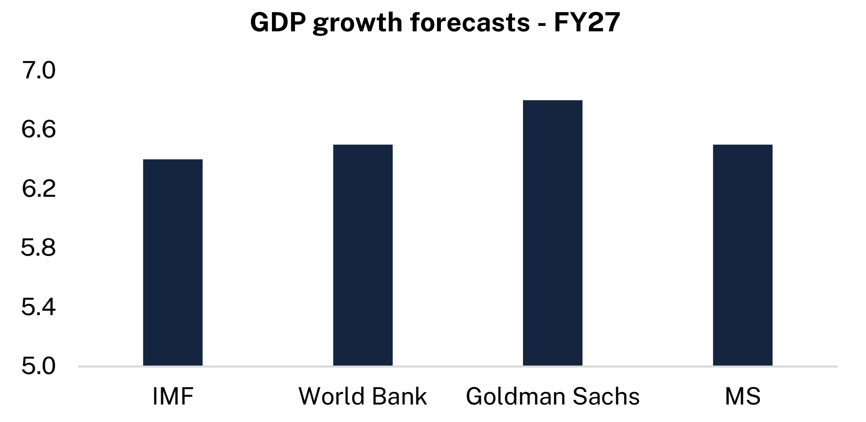
| | |
|---|---|
| **Facts** | ▪ Global growth **to remain broadly stable through CY26–27**, but at **below-trend levels vs pre-pandemic averages**, with **pronounced regional divergence**..<br>– US continues to display relative resilience, aided by fiscal measures & sustained IT / AI-led investment; **S&P 500 EPS growth pegged @ ~15% in CY26 vs** 11% in CY25.<br>– **China's growth remains positive but increasingly export-dependent**, amid weak domestic demand and persistent deflationary pressures. A recent pickup in industrial profits suggests early impact of the government's anti-involution measures, though it is too early to extrapolate this into a durable CY26 trend.<br>– Eurozone growth shows signs of a **modest cyclical recovery, led by Germany's fiscal stimulus**, but remains structurally constrained.<br>▪ Fiscal and monetary policy support continues to play a critical role in sustaining growth across major economies**.** |
| **Assessment** | ▪ US earnings growth in CY26 is expected to **broaden materially**, consensus points to **~3% spread between EPS growth for the Mag 7 & the Balance S&P 493 vs. ~10–15% earlier (CY-23 – early CY25)** , indicating a healthier and more diversified earnings cycle.<br>▪ Further, **several EM markets offer attractive earnings growth potential into CY26** (c. **12–40% EPS growth** across **Korea, Taiwan and China**), supported by cyclical recoveries and policy tailwinds at **more reasonable valuations (13.5X 12M forward)**<br>▪ Consequently, **India is not a sole growth outlier**; however, it remains **well positioned on a relative basis**, benefiting from **structural reforms, supportive cyclical policy settings and a more competitive INR**, which together underpin medium-term earnings visibility. |
| **Implication** | ▪ Prevailing macro environment **favors selective exposure rather than broad top-down bets**, as growth divergence persists across regions and sectors. Expectations should be anchored to a **moderate-growth, late-cycle environment**, rather than a broad-based global upswing<br>▪ With policy playing an outsized role, markets remain sensitive to fiscal slippage, political developments and trade policy shifts. Recent US equity outflows amid heightened US–Europe geopolitical tensions point to cautious positioning; however, a **delivery on earnings and fiscal stimulus could still catalyze renewed capital rotation into the US,** despite valuation headwinds, as earnings leadership broadens beyond mega-cap technology.<br>▪ Portfolio positioning should therefore **prioritize earnings visibility, balance-sheet strength and structural growth drivers**, while remaining tactically flexible to respond to **policy-driven rotations and region-specific opportunities**, including select EM markets beyond India |
| **Risks** | × **Risk of abrupt financial tightening** - Recent **spike in Japanese government bond yields** underscore these latent risks<br>× **China continues to act as a source of global deflation**, despite anti-involution measures. Persistent excess capacity and price pressure could significantly **impede India's export ambitions**, particularly in price-sensitive segments notwithstanding India's Govt's policy support<br>× **While Indo-US trade deal has finally materialized, global trade policy uncertainty remains structurally elevated**, with US trade deals increasingly prone to reassessment even after formal "closure". |

Global growth remains **stable but structurally constrained**, with widening regional and earnings divergence. While the US continues to anchor global growth and select EMs offer attractive relative opportunities, outcomes are increasingly **policy- and earnings-delivery dependent**. In this environment, **selectivity, balance-sheet strength and earnings visibility** remain critical, even as macro and trade risks stay elevated.

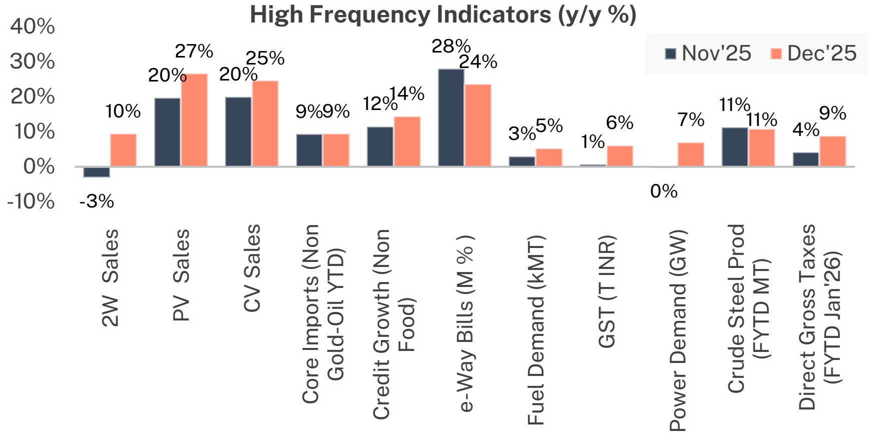
# Local Cues – Growth: Outlook resilient ; Domestic Demand Led & Policy Supported

India's growth outlook has seen **incremental upgrades**, reflecting firmer domestic demand and more resilient exports than earlier anticipated. Upside risks are anchored in the transmission of policy and fiscal easing through FY26 and FY27, easing of trade frictions along with partial tariff reversals, and stronger investment in new technologies, including AI. Growth momentum is expected to extend into FY28, supported by robust services activity, improving exports and a gradual pickup in investment, even as private capex remains relatively constrained

## 1 India GDP growth in FY27 – Stable with potential upside




## 2 High Frequency indicators : Broad based improvement




High-frequency indicators point to a **recovery in economic momentum**, led by **consumption and core sectors. Retail sales (+10% YoY)** signal sustained post festive discretionary demand; **auto sales remain strong**. **Core sector output rose to a 4-month high**, underscoring infrastructure and industrial activity. Rural demand indicators have improved meaningfully, supported by **lower inflation, GST cuts and a strong kharif/rabi outlook**. Thus, near-term growth momentum remains **broad-based and domestically driven**.

**Merchandise exports grew ~2.4% YoY (FYTD Dec'25)** despite a challenging global backdrop. **Exports to the US dipped in Dec'25**, but remain **positive on a cumulative FY26 basis**, aided by **electronics exports outside tariff coverage. Imports remain strong**, driven by non-oil, non-gold demand — reflecting domestic activity. **FY26 CAD remains well contained at ~0.8–1.0% of GDP**. Recent closure of India–US and EU–India trade agreements provides incremental support to export resilience over the medium term

## 3 Exports resilient : CAD contained


## 4 Capex – Public-Led; Private Still Cautious

| Owner | Q2FY25 (INR T) | Q2FY25 (Share) | Q3FY26 (INR T) | Q3FY26 (Share) |
|---|---|---|---|---|
| Govt. | 4.5 | 29.7% | 5.6 | 35.9% |
| Private | 10.5 | 70.3% | 10.1 | 64.1% |
| Total Fresh Projects Announcements | 15.0 | | 15.7 | 4.7% |

**Public sector capex rebounded sharply in Q3FY26** (+26.5% QoQ), lifting its share of new project announcements to **~36% Private sector capex declined for the second consecutive quarter**, reflecting caution amid global uncertainty. Overall project announcements improved sequentially, but **the recovery is driven primarily by government spending. Clearly,** Growth impulse remains **public-capex led**; private capex revival seems deferred. The latest Budget is supportive of a continued public capex led recovery

*Source : NDTVProfit, MoneyControl, PIB websites, Newspaper/Industry websites, CARE EDGE, Projects Today*

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# Local Cues – Growth

## Facts

- Recent data point to a firming of FY27 GDP growth expectations, with forecasts converging in the mid-6% range, reflecting stronger-than-anticipated domestic demand and the lagged impact of FY26 policy measures. High-frequency indicators corroborate this improvement, with sustained momentum across urban and rural consumption as well as core sector activity. Nominal GDP growth is expected at ~10.5–11% in FY27 (vs ~8.5% in FY26).
- The closure of the US–India trade deal is a meaningful sentiment positive and could aid domestic liquidity conditions; however, clarity on the specifics remains essential to assess its broader growth implications.
- The investment landscape has become increasingly asymmetric, with government-led capex announcements rising sharply in Q3-FY26, even as private sector capex intentions have softened. Policy support continues to act as an active tailwind, supported by the transmission of FY26 easing measures, sustained fiscal spending, recently concluded and ongoing trade agreements, and the latest Union Budget's renewed emphasis on capex.

## Assessment

- India's growth profile remains predominantly domestically anchored but spillovers from global volatility—particularly through capital flows and financial conditions—remain a relevant transmission channel.
- Capex data remain **volatile and uneven**. While market expectations continue to anticipate a revival in private investment, the **broader macro backdrop (including China-led deflationary pressures and trade uncertainty)** does not yet provide strong conviction for a broad-based private capex recovery. However, the outlook for public capex has turned incrementally positive particularly after the capex-growth oriented Budget announcements.
- External resilience has improved modestly, supported by electronics, services and recent FTAs; however, **exports continue to act as a drag**. Latest EU-India trade deal to have modest macro impact but select sectors (textiles, autos, machinery, aerospace, chemicals) are likely to see material benefits. The much-awaited US–India trade agreement if & when closed could provide a near-term sentiment boost, but **recent global experience suggests trade-deal risks remain fluid and subject to reassessment**.
- Overall, the growth environment is **stable, policy-supported and resilient**, with **upside likely to be gradual and policy-led**, driven by cyclical recovery and structural reforms rather than a sharp investment- or consumption-led acceleration

## Implication

- Domestic macro backdrop supports a moderate yet durable growth trajectory into FY27; growth outcomes are likely to remain domestic-demand led, underscoring the importance of consumption and policy-driven investment themes
- Public capex is expected to continue doing the heavy lifting in the near term, while a broad-based private capex revival is likely to lag, remaining contingent on global clarity, export recovery and confidence. Policy efforts towards demand revival to therefore focus largely on consumption – at least in the near term.
- Upside to the baseline expectations may materialize gradually, driven by policy transmission, confidence normalization, FTAs and technology-led productivity gains (including AI), rather than a sudden cyclical inflection

## Risks

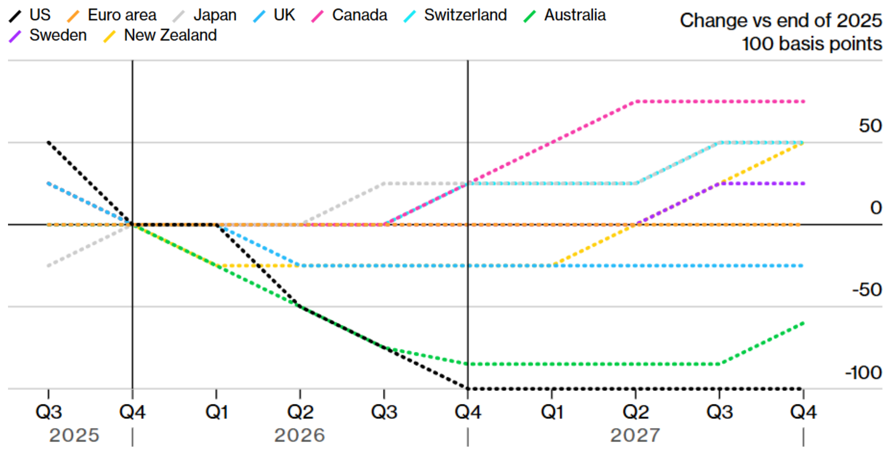
- × **Fiscal headroom constraints:** Having deployed substantial fiscal support in FY26, the **scope for incremental fiscal stimulus is now limited**. Any further support would require a **pickup in revenues**, which in turn depends on a **sustained recovery in nominal growth**, introducing a degree of circularity to the growth outlook. In this context, durability of FY26 policy measures remains to be established.
- × **Import competition risk:** **Dumping of Chinese goods** could compress margins, weaken pricing power and **disrupt the nascent domestic manufacturing upcycle**
- × Any renewed escalation in global geopolitical tensions or adverse policy shifts could **prolong the ongoing recovery**, disrupt capital flows and weaken confidence

India's FY27 growth outlook remains stable and domestically anchored, supported by consumption recovery, policy transmission and public capex with the latest US_Indo trade deal providing an additional fillip in terms of sentimennt. While private investment and exports remain selective, the macro backdrop favours a gradual, policy-led recovery over a sharp acceleration, with upside contingent on execution of further reforms, confidence normalization and external stability.

# Inflation & Interest Rates – Global : Policy divergence, Credibility & Higher Long Bond Yields

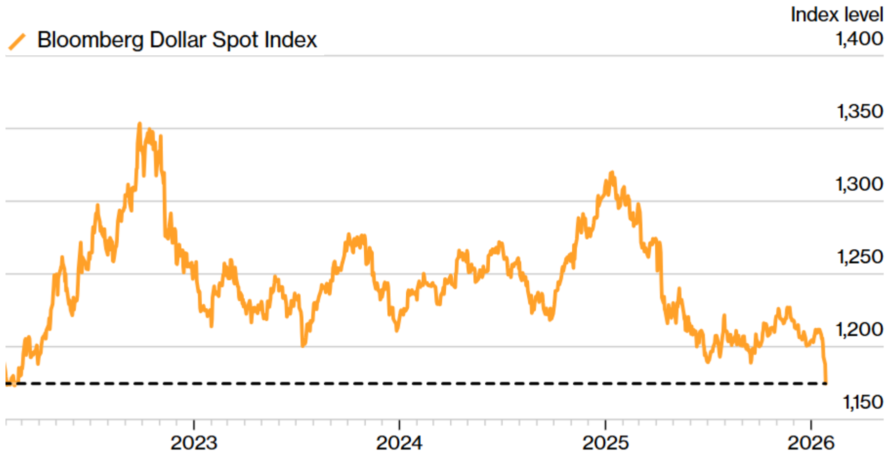
## 1 Divergent paths reflect evolving macro priorities & uncertain inflation vs growth trade-offs globally

US Fed is expected to cut rates twice in CY26, BoE is expected to cut far lesser while ECB is done with cuts, even as Japan is set for more rate hikes – this asynchronous policy path has implications for currency movements and capital flows and is expected to intensify volatility in financial markets




## 2 US Dollar @ 4-yr lows – dollar debasement trade underway ?

The sharp USD decline is attributed partly to technical factors – incl. intervention by Japan to support the Yen, but has also been fanned by US unpredictable policymaking, pressure on the US Fed to cut rates, tax cuts that deepen deficits and traditional USD buyers rotating into other assets




### Facts

- Recent US data point to **incremental disinflation** (core CPI undershoot), alongside a **resilient labor market**, reinforcing expectations of a **prolonged Fed pause through mid-2026**, with only **cautious rate cuts likely thereafter**
- **Global policy rate paths are diverging sharply but long bond yields are uniformly heading higher.**
- The **US dollar has weakened to multi-year lows**, driven by a combination of policy uncertainty, fiscal expansion, shifting capital flows and rotation by traditional USD buyers into alternative assets.
- US policy signaling **greater tolerance for dollar weakness**, ; global central banks continue to **diversify reserves away from US Treasuries** — evident in the 200% rise in **official gold holdings (USD 4T)** over the past two years

### Assessment

- Global rates regime has shifted from a cyclical easing narrative to that of structural divergence. Policy credibility and governance dynamics are increasingly influencing rate outcomes, weakening the traditional relationship between **rate differentials, fiscal balances and FX movements**.
- While global headline inflation is expected to ease modestly in CY26 versus CY25, **long-end yields are likely to remain elevated**, reflecting **fiscal slippage, rising debt burdens and deteriorating public balance sheets**
- Appointment of the new Fed Chairman – Kevin Warsh is widely expected to portend further **rate cuts on one hand but leaner Fed B/S and tighter liquidity conditions** on the other.

### Implication

- **Weaker USD could ease global financial conditions**, even as policy rates remain steady. Dollar softness & elevated yields raise the risk of **renewed pressure on commodity prices**, challenging the consensus **disinflation narrative for CY26**.
- The evolving regime strengthens the strategic case for **diversification into emerging markets and real / alternative assets**, as investors seek protection against currency debasement and fiscal dominance risks.

### Risks

- × Re-acceleration in US inflation that could potentially put paid to current rate cut expectations
- × Disorderly readjustment in FX / bond markets could undermine confidence in policy frameworks and exacerbate financial market volatility.

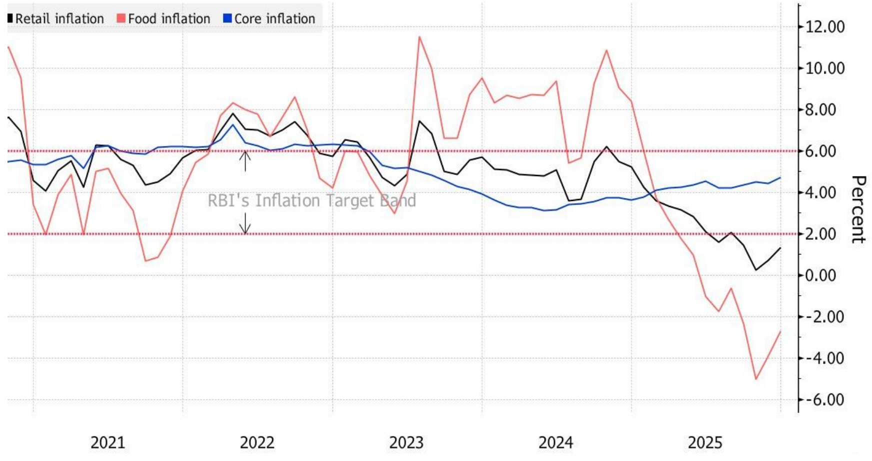
Policy credibility, fiscal dynamics and FX are now central to rate outcomes ; generally weakening public debt conditions reinforce the case for rising long bond yields

Source : *Bloomberg*

# Inflation & Interest Rates – Local : Disinflation Comfort, Liquidity Frictions

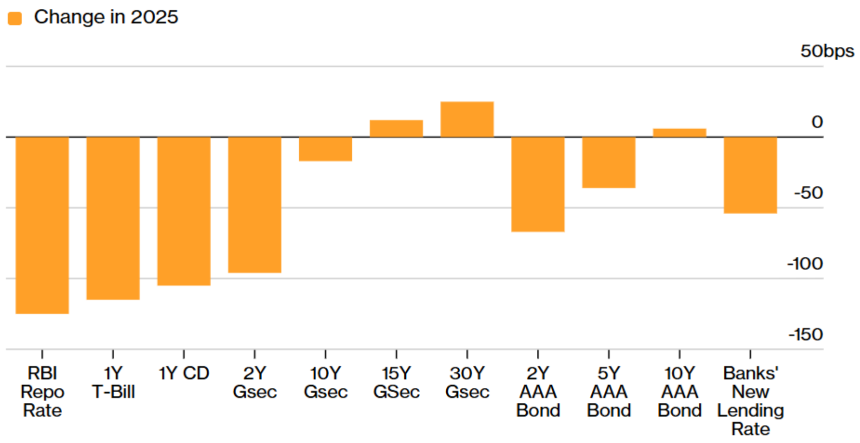
## 1 CPI inflation edged higher, but leaves enough room for further easing

Headline CPI printed 1.33% in Dec'25 (from 0.7% in Nov'25), reflecting sharp decline in food esp. veggie prices (-18%). Core inflation rose to ~4.7% reflecting higher gold prices ; ex-gold. inflation stood at a series low of 2.4%. Notwithstanding the fading base effect inflation is expected to remain comfortable @4 – 4.5% into FY27




## 2 Tight system liquidity has impeding rate cut transmission

RBI has sold ~ USD 45B in forex markets to support the INR – which has meant tighter INR system liquidity that has meant yields have remained sticky despite RBI cutting rates.




### Facts

- **RBI is widely expected to deliver the terminal rate cut of this cycle in Feb'26**, post the Union Budget — implying **~150 bps of cumulative easing** in the current cycle.
- **INR defence has tightened domestic liquidity**, with RBI deploying **FX intervention, OMOs (~INR 6–7 tn) and USD-INR swaps (~USD 15 bn)**; system liquidity nevertheless remained tight.
- **G-sec yields have edged higher despite rate cuts and OMOs**, with tighter liquidity pushing up the short end and adverse global cues pressuring the long end; **higher supply expectations post the Union Budget** add to FY27 pressure.

### Assessment

- From Jan'26 (released Feb'26), **CPI transitions to a rebased 2024 series** with a revised consumption basket and **lower food weight**, potentially reducing headline volatility; some participants expect the RBI to **wait for rebased CPI and GDP prints** before further action.
- **Indo-US trade deal closure has driven a sharp reversal in sentiment** suggesting reduced near-term pressure on the INR. The need for an immediate repo cut has diminished, while **liquidity conditions are likely to improve**.
- **OMOs are likely to remain active into FY27**, given elevated government borrowing and the need to **anchor long-end yields** and support the government's reflationary objectives.

### Implication

- **Term spreads have widened meaningfully** and could **compress over the next 1–2 quarters** as fiscal year-end pressures fade and external headwinds moderate.
- **The long end of the curve remains vulnerable** to g-sec demand–supply dynamics and global yield signals, limiting the scope for a sharp secular rally; **tactical duration opportunities may still emerge**.

### Risks

- × **Lower-than-expected OMO support** amid elevated supply.
- × **Abrupt and disorderly spikes in global yields** spilling into local bond markets
- × **Local inflation outcomes surprising to the upside** relative to current policy expectations.

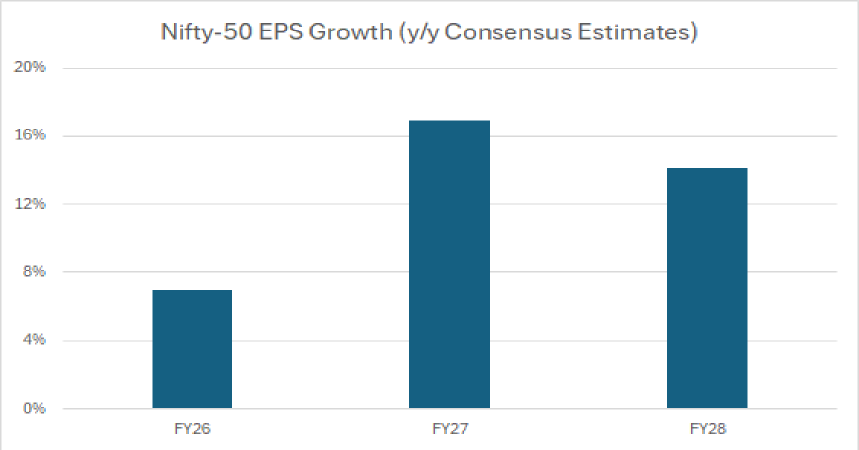
With inflation benign and the INR stabilising, the RBI's emphasis is shifting from rate cuts to transmission via liquidity management & OMOs. Consequently, FY27 bond market dynamics will be shaped more by liquidity, currency and supply conditions than by further policy easing

*Source : Bloomberg*

# Valuation & Earnings: Recovery Underway, Conviction Still Building

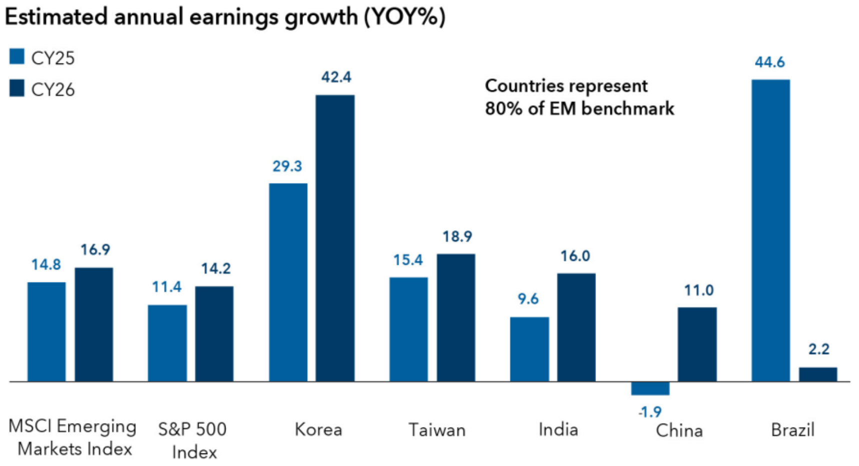
**1** Nifty FY27 Earnings: Transitioning Toward Recovery

For Q3FY26, **Nifty EPS growth is pegged at ~8% YoY**, with **midcaps (~22% y/y) and smallcaps (~35% y/y)** continuing to show stronger growth expectations..




**2** Earnings growth forecasts remain healthy across major EMs

Earnings growth across most emerging markets appears promising, with four of the five countries that make up 80% of the MSCI EM Index projected to increase profits at a double-digit rate year over year




## Facts

- **Nifty earnings growth is projected at ~7% in FY26 and ~16.5% in FY27**, led by **Oil & Gas, NBFCs, Metals and Telecom**. Recent consensus has seen **marginal downgrades (1–2%)** since Dec'25, driven by Metals, O&G, Financials and Consumer sectors
- **~263 of Top 500 companies** have reported results so far, delivering **adj. 12.6% YoY profit growth** with sales growth of ~13% YoY within this, PAT growth for large caps is at 8.7%, midcap stands at 17.8%% while for smallcaps, adj. PAT growth stands @ 40%

## Assessment

- **Earnings recovery is underway but remains uneven**, with the moderation in downgrade intensity encouraging; however, the current results season — capturing the full impact of GST cuts and festive demand — will be critical in determining whether earnings upgrades can be sustained or re-emerge. As of now, **valuation comfort remains limited** (Nifty ~20x FY27) – even more so post the sharp rally
- **A meaningful part of global earnings momentum continues to be anchored in AI- and semiconductor-linked themes**, particularly across Korea, Taiwan and select China beneficiaries, where earnings growth expectations remain strong and valuations are materially more reasonable (~15x 12-month forward), reinforcing the case for selective EM exposure beyond India.
- While the Indo–US trade deal is a clear positive from a sentiment standpoint**, the structural drivers behind recent FII outflows — elevated valuations, uncertainty around earnings durability, and the absence of a credible, scalable AI-led growth narrative in India — remain largely unchanged**. As a result, while the **pace of outflows may moderate** with improving sentiment, the case for a sustained and meaningful resurgence in FII inflows remains limited at this stage.

## Implication

- The broader macro backdrop — **improving nominal growth, lower taxes, easing inflation and interest rates, and sustained policy support** — points to FY27 being **directionally stronger than FY26**, although valuations and global uncertainty loom large
- Market outcomes are therefore likely to be driven by a **mix of earnings upgrades, sector rotation and stock selection**, as the earnings recovery remains **uneven across sectors** rather than broad-based.

## Risks

- × **Earnings momentum undershoot** if demand recovery is delayed
- × **Policy disappointment**, external shocks | **Tempering of retail flows**

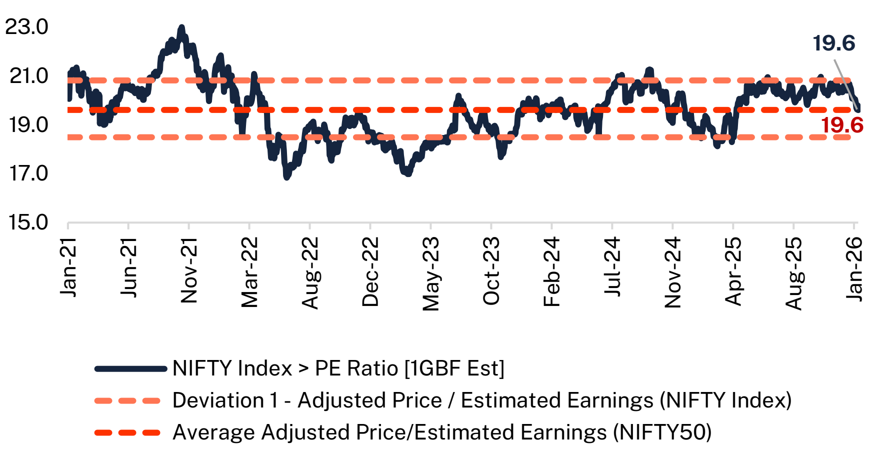
Earnings recovery into FY27 is underway but remains uneven, with early results offering mixed signals and conviction still forming. Elevated valuations heighten sensitivity to earnings delivery, favoring stock selection and sector rotation over broad beta as the recovery broadens gradually rather than decisively.

*Source : CapitalGroup*

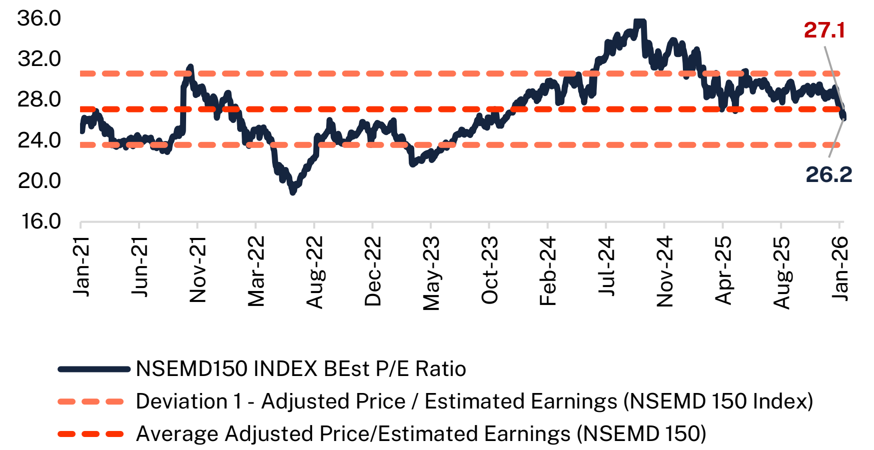
# Decoding Valuations

Large-caps trade at average mean while mid-caps remain slightly below mean. However, small-caps valuations remains at +1SD and warrant caution.

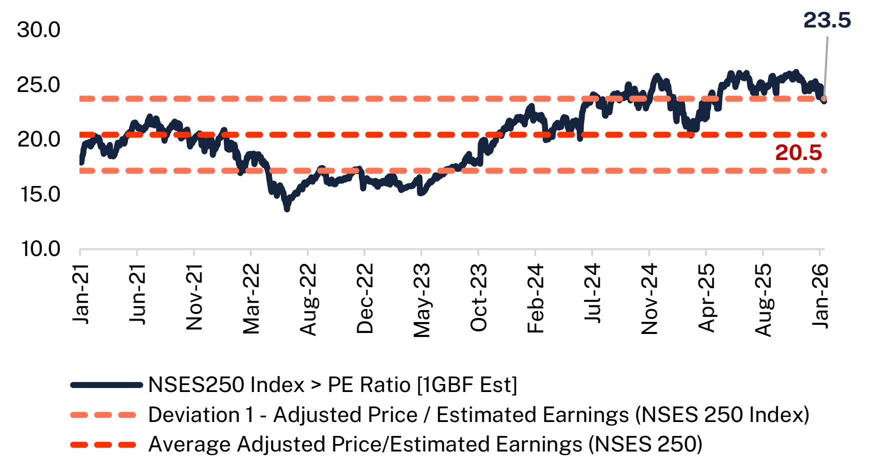
### Nifty 50



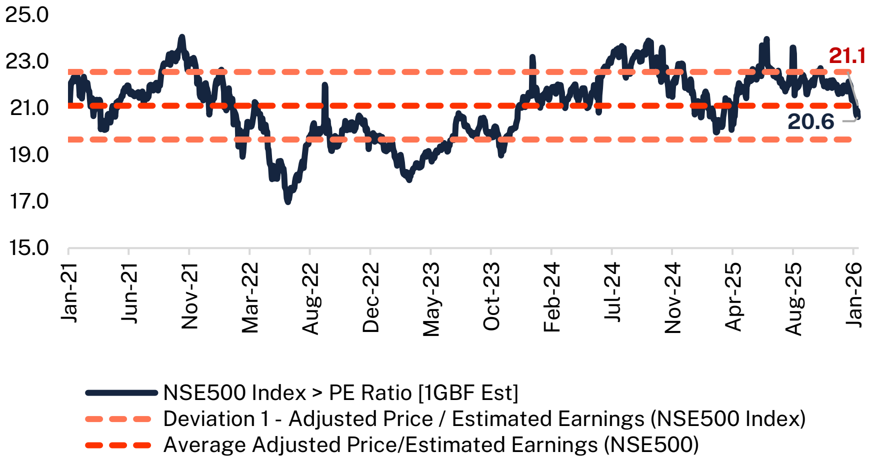

### Nifty Midcap 150




### Nifty Smallcap 250




### Nifty 500




**Large Caps:**

- Large Caps are currently trading at mean of their 5-year average valuations.

**SMID Caps:**

- Small-cap stocks continue to trade above their long-term fair valuation multiples, hovering at +1SD, while mid-caps are trading slightly below their 5-year averages.
- We maintain the view that the current environment remains a stock-picker's market, where fundamentals, earnings visibility, and balance sheet quality will drive alpha rather than broad-based multiple expansion

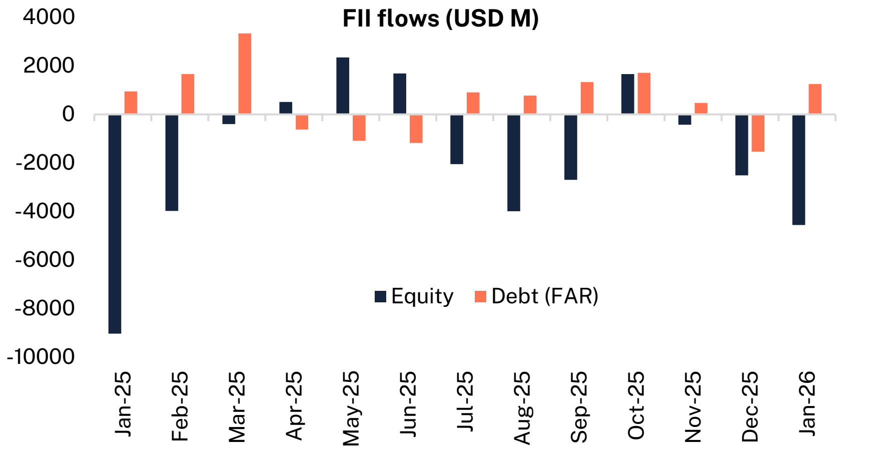
*Source: Bloomberg, Spark PWM*

# Allocation of Capital: FII selling pressure persists, MF flows support steady for now

1

### FIIs remain net sellers in Indian Equities

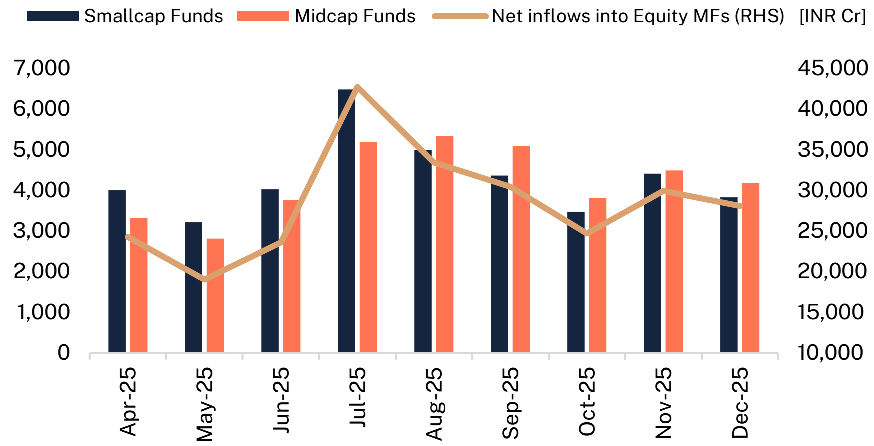
**FIIs remain significant net sellers of Indian equities**, with outflows of ~USD 4.5bn in Jan'26, following ~USD 19bn of net selling in CY25. This follows a negligible USD 124mn inflow in CY24 and has resulted in **FII ownership in Nifty falling to ~18% — a 13-year low**




2

### Equity MF flows remain steady, but Gold / Multi-asset funds see higher interest

Flexicap funds attracted attract highest flows while flows into NFOs/ sector funds have fallen sharply – even as flows into SMID funds also moderated indicating some pullback in risk-appetite amongst retail investors




## Facts

- FIIs have sold equities worth USD 4 B in Jan'26. **Domestic equity MF inflows remain positive**, although incremental moderation is visible relative to mid-CY25 levels
- **Retail participation shows early signs of fatigue**, with **new demat account additions declining ~33% YoY in CY25**, marking the 1st annual contraction since CY21

## Assessment

- The **sharp pickup in FII selling in Jan'26** reflects multiple overhangs: prolonged uncertainty around the **US–India trade deal**, heightened **geopolitical risk** (including further sanctions on Russian energy buyers), and **underwhelming early Q3 earnings announcements**
- At the same time, **global peers and several EMs have delivered stronger performance at more reasonable valuations**, reducing the near-term incentive for foreign investors to rotate back into India amid **event risks (Budget, earnings) and INR depreciation**.
- On the domestic front, **SIP inflows remain resilient (~INR 30k cr)**, although **stoppage ratios have risen to ~85% in Nov'25** vs ~75% earlier in CY25. **Gold ETF inflows surged to ~INR 12k cr**, likely following strong gold performance in CY25 and a search for portfolio hedges.

## Implication

- Despite headline indices being only **5–6% below peaks**, **underlying market correction has been materially deeper**, with **median SMID stocks down ~25% from highs**.
- Select managers have indicated willingness to **begin bottom-fishing cautiously**, with some small-cap funds reopening subscriptions after prolonged pauses—suggesting **selective opportunity emergence rather than broad risk-on amidst improved valuation comfort**
- Reflecting this cautious optimism, **equity MF cash levels have dropped below ~5%**, indicating a preference to stay invested while **deploying capital incrementally amid elevated volatility**.

## Risks

- A **meaningful slowdown in domestic MF inflows**, especially if FII outflows persist.
- **Earnings disappointment**, which could further delay confidence recovery.
- Adverse outcomes in US–India tariff negotiations

Capital flows remain divergent – FIIs continue to de-risk India, while domestic flows stay supportive but increasingly selective. Beneath stable headline indices, meaningful stock-level correction has improved valuation comfort, setting the stage for cautious, incremental redeployment, though conviction will build only with earnings delivery

*Source : Bloomberg, NSDL, AMFI, Moneycontrol*

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# Where the Money's Moving: Sector-Wise FII Trends

FII flows remained net seller over the last fortnight, with notable inflows into Metals & Mining, Capital Goods and Consumer Durables, while FMCG, Financial Services and Information Technology witnessed net outflows during the same period.

**Breakdown of Fortnightly FII Flows to Indian Equities by Sectors (INR Crs)**

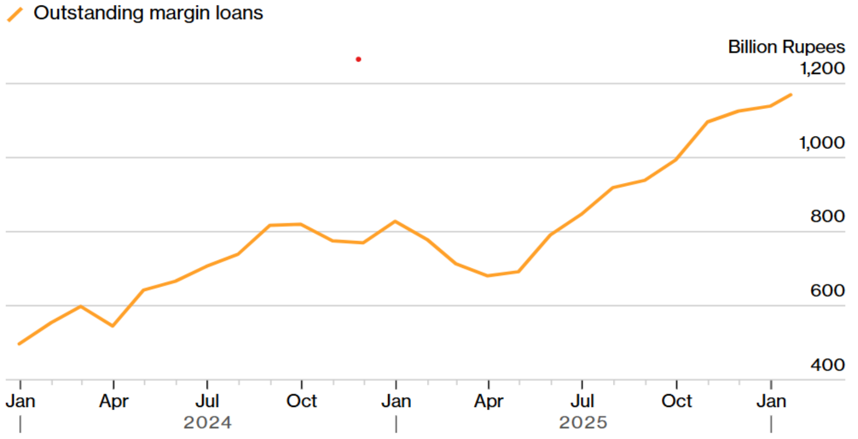
| SECTOR / DATE | 31-Aug | 15-Sep | 30-Sep | 15-Oct | 31-Oct | 15-Nov | 30-Nov | 15-Dec | 31-Dec | 15-Jan |
|---|---|---|---|---|---|---|---|---|---|---|
| Automobile and Auto Components | 2,617 | 1,908 | 1,733 | 1,560 | (593) | (385) | (1,257) | 611 | (2,656) | (500) |
| Capital Goods | 764 | 1,518 | 1,492 | (851) | 169 | 788 | 1,707 | (1,218) | (1,348) | 326 |
| Chemicals | 1,161 | 23 | (406) | (316) | (608) | (518) | (660) | (23) | (25) | 69 |
| Construction | (22) | 130 | 726 | 641 | 1,592 | (330) | (112) | (175) | 382 | (455) |
| Construction Materials | 785 | (1,193) | (220) | (94) | (1,198) | (369) | (492) | (1,125) | (549) | (481) |
| Consumer Durables | (836) | (326) | (3,301) | (213) | (1,543) | (1,379) | 1,273 | 401 | 198 | 322 |
| Consumer Services | 490 | (3,246) | (114) | (1,785) | (1,677) | (2,918) | (1,075) | (50) | 3,390 | (1,952) |
| Diversified | (55) | (34) | (186) | (34) | (70) | 46 | 10 | (80) | (29) | (14) |
| Fast Moving Consumer Goods | 53 | (1,092) | (3,110) | (2,992) | (1,267) | (2,042) | (2,722) | (1,419) | (4,425) | (6,128) |
| Financial Services | (9,817) | 1,634 | (642) | 8,276 | 5,003 | (2,041) | (1,137) | (6,516) | (4,009) | (3,190) |
| Forest Materials | (27) | (9) | (15) | 77 | 17 | (12) | (19) | (54) | - | (10) |
| Healthcare | 678 | (1,601) | (4,521) | (2,739) | (365) | (2,526) | 743 | (2,351) | (643) | (1,049) |
| Information Technology | (4,905) | (2,014) | (4,036) | (1,927) | (267) | (4,873) | (921) | (3,331) | 4,457 | (2,075) |
| Media, Entertainment & Publication | 179 | (16) | 93 | 87 | (133) | (148) | (161) | (39) | (281) | (123) |
| Metals & Mining | (1,266) | 1,394 | 446 | 1,395 | 1,752 | (109) | (571) | 807 | 2,177 | 2,689 |
| Oil, Gas & Consumable Fuels | (2,017) | (1,502) | 728 | 1,086 | 8,043 | 2,992 | 4,177 | 3,001 | (645) | (549) |
| Power | (1,708) | (2,107) | (586) | 1,103 | (138) | (2,512) | (103) | (2,118) | (635) | (340) |
| Realty | (34) | (1,927) | (332) | (807) | 1 | 236 | (1,045) | (670) | (271) | (699) |
| Services | 1,967 | 236 | (1,222) | 234 | (21) | (673) | (307) | (3,237) | (1,041) | (1,587) |
| Telecommunication | (1,680) | (1,505) | (917) | 73 | 2,087 | 9,413 | 4,913 | (879) | 1,113 | (1,497) |
| Textiles | (422) | (119) | (39) | (203) | (156) | (186) | (140) | (263) | (274) | (176) |
| Utilities | 15 | (46) | 11 | 1 | 14 | 8 | 27 | (13) | (17) | (126) |
| Others | 188 | (577) | (98) | 1,247 | 395 | 1,554 | 634 | 999 | 382 | (1,397) |
| **Total** | **(13,892)** | **(10,471)** | **(14,516)** | **3,819** | **11,037** | **(5,984)** | **2,762** | **(17,742)** | **(4,749)** | **(18,942)** |

*Source: Bloomberg, NSDL, Securities & Exchange Board of India, Spark PWM*

# Trends & Sentiment : Signs of 'Low-Return' Fatigue Amid Rising Uncertainty

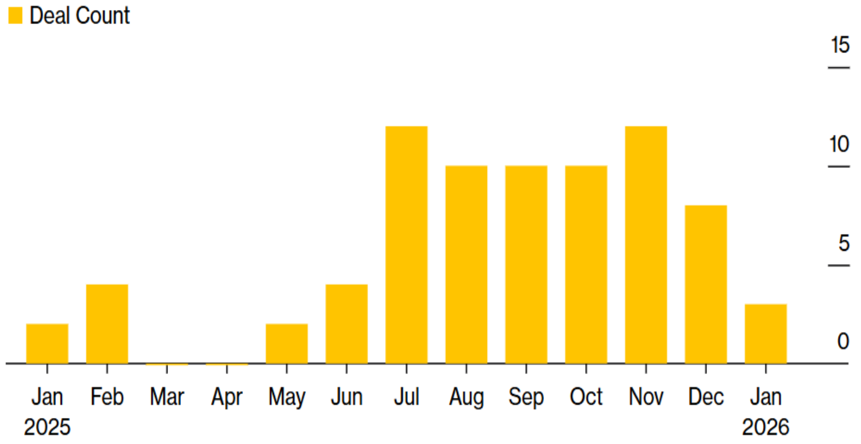
## 1 Margin Trading Facility (MTF) loan-based stock exposures have surged

**MTF loan books have expanded sharply**, rising over **2.5x in the past two years**, partly due to tighter F&O norms. While outstanding MTF exposure remains modest relative to daily turnover, **concentration risk amid weaker sentiment and thinner liquidity remains a concern.**




## 2 Indian IPO market showing signs of cooling

While IPO activity softened in Jan'26, post-Budget normalization is expected, with CY26 issuance projected to exceed USD 23 B, driven by a strong pipeline of marquee listings (e.g. SBI MF, Flipkart, Phonepe)




## Facts

- **Market sentiment weakened in Jan'26**, driven by heightened global uncertainty, unresolved US–India trade deal concerns and **underwhelming early Q3 earnings**. Investors also stayed cautious ahead of the **Union Budget**
- **Volatility picked up meaningfully**: VIX rose from multi-year lows of ~9 in Dec'25 to a 6-month high of ~15 in Jan'26; **cash market turnover fell to a 2-year low**, while derivatives positioning reflected defensive behaviour as frontline indices breached key technical levels.
- While increase in STT for F&O was a short term overhang post the Budget, the closure of US-India trade deal portending lower tariffs has tiriggered a significant improvement in market sentiment in Feb'26

## Assessment

- With broader market correction, attention has turned to the **MTF book (~INR 1.17 lakh cr as of Dec'25)** and the potential for **synchronised liquidations**, given complex risk management structures and **illiquidity in underlying stocks**. Reflecting weak sentiment, **MTF book growth has also slowed to ~1–2% in recent months**.
- The **IPO market has begun 2026 on a weak footing**, with only **3 IPOs raising ~USD 440mn in Jan'26**, the lowest in seven months. Over **100 approved offerings are currently on hold**, awaiting improvement in market sentiment!

## Implication

- **Return fatigue** — with largely flat-to-negative equity returns over the past ~18 months — could increasingly **redirect incremental domestic flows toward alternate yield avenues**, including **precious metals**, potentially weakening a key pillar of equity market liquidity.

## Risks

- × Persistence or escalation of **global risk-off sentiment**.
- × **Disappointing earnings outcomes** prolonging confidence weakness.
- × **Further moderation in equity MF inflows**

Market sentiment is fragile esp. post the hike on STT on F&O - while systemic risks remain contained, MTF concentration and weak liquidity segments warrant monitoring. A decisive policy or trade catalyst could restore confidence, but until then, risk appetite is likely to remain selective and tactical.

*Source : RBI, Moneycontrol, Bloomberg*

# Overview of the Union Budget FY27

## Reinforcing Growth & Policy Continuity, whilst Preserving Fiscal Credibility

# FY27 Union Budget – Reflationary and Credible

- **Growth-oriented with calibrated fiscal discipline** – FY27 Budget reflects a deliberate moderation in the pace of fiscal consolidation, accompanied by a **meaningful acceleration in public capex**. The Govt. has understandably and rightly prioritized growth support given the global headwinds and the local slack. Fiscal deficit (% of GDP) is thus just 5bp lower in FY27 at 4.31%- this is the smallest fiscal consolidation since the pandemic.
- **Preparing for the long-term, while also addressing contemporary considerations:** The Budget deepens its commitment to **manufacturing and infrastructure**, with targeted support for MSMEs—particularly textiles, chemicals, biopharma, container manufacturing, semiconductor fabrication, DFCs and waterways. Contemporary, new growth engines are seeded through **data-centres (long-term tax incentives)**, **tourism (allocations increased ~4x)**, sports and rare minerals, while **welfare priorities** (Jal Jeevan Mission, rural employment) continue to receive sustained support. Medium and long-term measures include **tax compliance and ease of doing business** and the setting up of a High-Level Standing Committee to go into building a future-ready banking sector that among other things can improve credit penetration over time.
- **Capex over consumption**: After the **GST rationalization and personal income-tax cuts in FY26**, the Govt. has reoriented its attention on stimulating public sector capex, with specific focus on defence, railways, roads and ports. FY27E capex growth pegged at 11.5% vs 4.5% in FY26
- **Credible fiscal arithmetic with built-in buffers:** Budget assumptions appear **conservative and credible**, with implicit revenue growth expectations **lower than FY26**, despite **nominal GDP growth in FY27 being projected higher at 10.04%**—providing comfort on execution risk. The Govt. seems to have built cushions for stimulus interventions during FY27, if required.
- **Market reaction reflects STT hike disappointment, higher gross borrowings and lack of big-bang measures:** Besides, there is also a sense that the Government has probably not been sensitive enough to addressing the lack of investment interest in India esp. from FPIs over the last 1- 1 ½ years.

# Growth back on the radar; Fiscal consolidation continues, but pace lowered

In INR Cr

| Parameter | FY26 RE | FY27 BE | Change over FY26 |
|---|---|---|---|
| **Nominal GDP*** | 3,57,13,886 | 3,93,00,393 | 10.0% |
| **Total Receipts (a + b + c)** | 49,64,842 | 53,47,315 | 7.7% |
| **Total revenue receipts (a +b)** | 33,42,323 | 35,33,150 | 5.7% |
| **Gross Tax Revenues** | 40,77,772 | 44,04,086 | 8.0% |
| **a. Tax (Net to Centre)** | 26,74,661 | 28,66,922 | 7.2% |
| **b. Non-tax^** | 6,67,662 | 6,66,228 | -0.2% |
| **c. Capital^^** | 16,22,519 | 18,14,165 | 11.8% |
| **Total Expenditure** | 49,64,842 | 53,47,315 | 7.7% |
| **Capital** | 10,95,755 | 12,21,821 | 11.5% |
| **Revenues** | 38,69,087 | 41,25,494 | 6.6% |
| **Subsidies** | 4,29,735 | 4,10,495 | -4.5% |
| **Effective Capex (including Grants)** | 14,03,906 | 17,14,523 | 22.1% |
| **Fiscal Deficit** | 15,58,492 | 16,95,768 | 8.8% |
| **Fiscal Deficit (% of GDP)** | **4.36%** | **4.31%** | **Lower by ~5 bps** |
| **Gross Borrowings** | 14,61,000 | 17,20,000 | 17.7% |
| **Net Borrowings** | 11,32,834 | 11,73,210 | 3.6% |
| **Small Savings** | 3,72,192 | 3,86,772 | 3.9% |
| **Debt to GDP** | **56.1%** | **55.6%** | **Lower by ~50 bps** |

Realistic / mildly lower than nominal GDP growth – higher than FY26 (~8.8%)

Conservative tax revenue growth estimates – both GST & corporate tax growth forecasted lower than FY26 despite higher nominal growth

Disinvestments /Monetization @ INR 80K cr vs INR 34K cr in FY26

Quality of expenditure improves in FY27 - Focus on capex spending back - sharp recovery in capex vs. 4.5% in FY26 whilst revex seen slower vs 7.5% in FY26

Fuel subsidies pegged sharply lower ~20% y/y

Compression in fiscal deficit by only 5 bps vs. market expectation of 20 bps into FY27 – supports the 'pro-growth' Budget orientation

This sharp increase has spooked markets. Expect higher OMOs from the RBI.

Small savings growth forecasts conservative – higher collections here can lower Gsec borrowings

*^ - Including telecom & dividends ^^ Includes disinvestments * From Budget at a Glance notes*

# Revenue Growth Forecasts Conservative – Lends Credibility to Fiscal Arithmetic

In INR Cr

| Parameter | FY26 RE | FY27 BE | Change in FY27 |
|---|---|---|---|
| **1. Gross Tax Revenues** | **40,77,772** | **44,04,086** | **8.0%** |
| Corporation Tax | 11,09,000 | 12,31,000 | 11.0% |
| Taxes on Income | 13,12,000 | 14,66,000 | 11.7% |
| Customs | 2,58,290 | 2,71,200 | 5.0% |
| Union Excise Duties | 3,36,550 | 3,88,910 | 15.6% |
| GST | 10,46,480 | 10,19,020 | -2.6% |
| Others (UT etc) | 15,452 | 27,956 | 80.9% |
| States Share | 13,92,971 | 15,26,255 | 9.6% |
| Centre Share | **26,74,661** | **28,66,922** | **7.2%** |
| **2. Non-Tax Revenue** | **6,67,662** | **6,66,228** | **-0.2%** |
| Interest receipts | 40,165 | 41,763 | 4.0% |
| PSU Dividends | 71,000 | 75,000 | 5.6% |
| RBI | 3,04,590 | 3,16,000 | 3.7% |
| Other Non Tax Revenue (Economic Services^) | 2,51,907 | 2,33,465 | -7.3% |
| **3. Capital Receipts** | **16,22,519** | **18,14,165** | **11.8%** |
| Debt Receipts (Incl. Borrowings, Ext. Loans, Small Savings) | 15,12,770 | 16,63,066 | 9.9% |
| Disinvestments | 33,837 | 80,000 | 136.4% |
| Other items (Recovery of Loans etc) | 30,190 | 38,397 | 27.2% |
| Cash Balances | 45,722 | 32,702 | -28.5% |
| **Total Receipts** | **49,64,842** | **53,47,315** | **7.7%** |

Conservative tax growth expectations vs. FY26 @7.4%. Tax buoyancy in FY27 pegged lower vs. FY26 despite higher expected nominal GDP growth

Corporate tax revenue growth almost in line with nominal growth rate | Income tax growth credible, given the tax cut in FY26

Excise duties higher owing to increased taxes on cigarettes

Effect of GST rationalization and discontinuation of Compensation cess

New National Health Security Cess – on demerit goods (pan masala, tobacco)

Drag mainly led by lower telecom / spectrum license by INR 24K cr in FY27

Gross Borrowings significantly higher than market expectations

Could include the IDBI disinvestment; also the monetization through REITs

^ - *Including telecom/spectrum fees*

# Expenditure Profile – Capex is back on the Agenda

In INR Cr

| Parameter | FY26 RE | FY27 BE | Change in FY27 |
|---|---|---|---|
| **Total Expenditure** | **49,64,842** | **53,47,315** | **7.7%** |
| **Revenue Expenditure** | 38,69,087 | 41,25,494 | 6.6% |
| Revenue Expenditure (% of expenditure) | 77.9% | 77.2% | |
| **Interest Payment & Servicing of Debt** | 12,68,628 | 13,99,972 | 10.4% |
| **Subsidies** | 4,29,735 | 4,10,495 | -4.5% |
| **Subsidies (% of expenditure)** | **8.7%** | **7.7%** | |
| Food | 2,28,154 | 2,27,629 | -0.2% |
| Fertiliser | 1,86,460 | 1,70,781 | -8.4% |
| Fuel | 15,121 | 12,085 | -20.1% |
| **Capital Expenditure** | 10,95,755 | 12,21,821 | 11.5% |
| **Capital Expenditure (% of expenditure)** | **22.1%** | **22.8%** | |

Expenditure growth forecasted for FY27 – 100 bps higher vs growth seen in FY26 (6.7%)

But, revenue expenditure growth forecasted for FY27 lower than in FY26 (7.5%)

Subsidies pegged lower – although FY26 subsidies were higher than budgeted owing to higher food subsidies.

Capex growth in FY27 higher than FY26 – but 3-yr CAGR (FY24-27) at 6.25% p.a vs 30%+ CAGR in FY21–FY24

Capex outlays raised meaningfully across both existing & new initiatives with outlays on social welfare schemes – mainly across rural jobs & urban housing having seen significant increases

Total **Central Government expenditure in FY26 (Revised Estimates)** came in **~2% below the FY26 Budget Estimates**, largely due to **lower-than-anticipated transfers to states**. A significant portion of these deferred transfers is now **expected to be accommodated in FY27**, providing an underlying support to expenditure momentum

# Key focus areas for Capex

## Color scales assigned vertically

| Ministry/Dept | Capex (Rs Crore) | | | YoY Change (%) | |
|---|---|---|---|---|---|
| | FY26 BE | FY26 RE | FY27 BE | FY27 BE vs FY26 RE | FY27 BE vs FY26 BE |
| Ministry of Road Transport and Highways | 2,72,241 | 2,72,051 | 2,94,167 | 8.1 | 8.1 |
| Ministry of Railways | 2,52,000 | 2,52,000 | 2,77,830 | 10.3 | 10.3 |
| Transfers to States | 1,70,595 | 1,74,953 | 2,26,382 | 29.4 | 32.7 |
| Capital Outlay on Defence Services | 1,80,000 | 1,86,454 | 2,19,306 | 17.6 | 21.8 |
| Department of Telecommunications | 51,785 | 23,916 | 47,275 | 97.7 | -8.7 |
| Ministry of Housing and Urban Affairs | 37,623 | 32,978 | 34,808 | 5.5 | -7.5 |
| Police | 16,579 | 16,021 | 21,272 | 32.8 | 28.3 |
| Department of Science and Technology | 20,096 | 3,083 | 20,085 | 551.5 | -0.1 |
| Department of Economic Affairs | 46,614 | 70,800 | 16,309 | -77.0 | -65.0 |
| Ministry of Defence (Civil) | 12,388 | 10,963 | 11,703 | 6.8 | -5.5 |
| Atomic Energy | 11,978 | 12,062 | 9,966 | -17.4 | -16.8 |
| Department of Space | 6,104 | 5,310 | 6,376 | 20.1 | 4.5 |
| Department for Promotion of Industry and Internal Trade | 5,692 | 4,501 | 5,119 | 13.7 | -10.1 |
| Direct Taxes | 1,425 | 2,065 | 4,984 | 141.4 | 249.7 |
| Ministry of Development of North-Eastern Region | 4,032 | 3,067 | 4,565 | 48.8 | 13.2 |
| Department of Health and Family Welfare | 3,624 | 2,438 | 2,928 | 20.1 | -19.2 |
| Ministry of Micro, Small and Medium Enterprises | 716 | 916 | 1,919 | 109.6 | 168.1 |
| Others* | 27,592 | 22,174 | 16,806 | -24.2 | -39.1 |
| **Total** | **11,21,084** | **10,95,752** | **12,21,803** | **11.5** | **9.0** |

### Key Highlights

- FY27 budgeted capex amounted to Rs 12.2 lakh crore
- Roads, Railways, Defence, Telecom, and Housing capex are likely to meaningfully influence the Central Govt's capex trajectory in the upcoming fiscal
- The following Departments saw the highest YoY increase (in percentage terms) in budgeted allocations in FY27 vs FY26 Revised Estimates:
  - Science & Technology, Space
  - Fisheries
  - Micro, Small and Medium Scale Enterprises
- Large allocations have been made for Capex by the states and this would be a key monitorable over FY27
- Many of the areas saw actual spending being substantially lower than Budget in FY26 (e.g. Telecom, Housing, Science & Tech, Health) – the higher allocations in FY27 need to be viewed in this light.
- Typically, the Govt. cuts allocations to many areas in the event of a tight fiscal position and FY27 need not be any different in such an eventuality. This also therefore provides the cushion that helps the Govt. meets its fiscal targets.

*BE - Budgeted Estimates, RE - Revised Estimates*
**Includes allocation to Union Territories and other Ministries*
*Source: Ministry of Finance, Spark PWM Products*

# Revenue Outlay Across Centrally Sponsored Schemes

## Color scales assigned vertically

| Scheme | Revenue Outlay (Rs Crore) | | | YoY Change (%) | |
|---|---|---|---|---|---|
| | FY26 BE | FY26 RE | FY27 BE | FY27 BE vs FY26 RE | FY27 BE vs FY26 BE |
| Viksit Bharat-Guarantee for Rozgar and Ajjevika Mission (Gramin)- VB-G RAM G Scheme | - | - | 95,692 | - | - |
| Jal Jeevan Mission (JJM) / National Rural Drinking water Mission | 67,000 | 17,000 | 67,670 | 298.1 | 1.0 |
| Pradhan Mantri Awas Yojna (PMAY)- Rural | 54,832 | 32,500 | 54,917 | 69.0 | 0.2 |
| Samagra Shiksha | 41,250 | 38,000 | 42,100 | 10.8 | 2.1 |
| Flexible Pool for RCH & Health System Strengthening, National Health Programme and National Urban Health Mission | 30,009 | 29,867 | 31,820 | 6.5 | 6.0 |
| MGNREGA-Programme Component | 86,000 | 88,000 | 30,000 | -65.9 | -65.1 |
| Saksham Anganwadi and POSHAN 2.0 (Umbrella ICDS - Anganwadi Services, Poshan Abhiyan, Scheme for Adolescent Girls) | 21,960 | 20,949.47 | 23,100 | 10.3 | 5.2 |
| Deendayal Antyodaya Yojana-National Rural Livelihoods Mission (DAY-NRLM) | 19,005 | 16,000 | 19,200 | 20.0 | 1.0 |
| Pradhan Mantri Gram Sadak Yojna | 19,000 | 11,000 | 19,000 | 72.7 | - |
| PMAY-Urban | 19,794 | 7,499 | 18,624 | 148.3 | -5.9 |
| Pradhan Mantri Poshan Shakti Nirman (PM POSHAN) | 12,500 | 10,600 | 12,750 | 20.3 | 2.0 |
| Krishionnati Yojana | 8,000 | 6,800 | 11,200 | 64.7 | 40.0 |
| Urban Challenge Fund | 10,000 | 1,000 | 10,000 | 900.0 | - |
| Others* | 1,52,476 | 1,40,843 | 1,12,715 | -20.0 | -26.1 |
| **Total** | **5,41,827** | **4,20,059** | **5,48,788** | 30.6 | 1.3 |

**Key Highlights**

- Primary emphasis was laid on:
  - Agricultural productivity and farmers
    (Krishi Unnati Yojana, Rashtriya Krishi Vikas Yojana)
  - Dept of Rural Development
    (Viksit Bharat VGRAM Scheme, Pradhan Mantri Gram Sadak Yojana, Deen Dayal Rural Livelihoods Mission, Pradhan Mantri Awas Yojana)
  - Ministry of Skill Development (PM Setu)
  - Ministry of Women and Child Development
    (Mission Shakti, Mission Vatsalya, Saksham Anganwadi and Poshan 2.0)
- The following schemes saw the highest YoY increase (in percentage terms) in budgeted allocations in FY27 vs FY26 Revised Estimates:
  - Urban Challenge Fund
  - Jal Jeevan Mission / National Drinking Water Mission
  - Pradhan Mantri Awas Yojana - Urban
  - Pradhan Mantri Gram Sadak Yojna

  In the FY27 Budget, allocations in these instances are on similar levels as seen in the FY26 Budget, implying that amounts dedicated for such purposes were grossly underutilized over the past 12 months. Therefore, the Centre reiterated its focus on the above fronts.
- Allocation to the MGNREGA scheme has reduced noticeably in FY27 as the Govt. is pivoting to the new VB-GRAM G scheme – which increases the contribution from the States appreciably.

*BE - Budgeted Estimates, RE - Revised Estimates*
**Includes Central Government sector schemes where the FY27 BE revenue outlay is less than Rs 10,000 crore*
*Source: Ministry of Finance, Spark PWM Products*

# Portfolio Strategy

# Guidance on Portfolio Strategy – Equities

- While equity markets have begun the year on a forgettable note, the underlying growth picture continues to turn favourable, although gradually. Several high frequency indicators (e.g. credit demand, auto sales, power) indicate this and are likely being reflected in the 3QFY26 earnings season currently underway. In the recently presented Union Budget, the Government has clearly preferred to reflate the economy by capping the fiscal consolidation at just 5bp (the lowest reduction in Fiscal deficit as a % of GDP since the pandemic) and continuing to focus on capex growth. All of this portend a growth recovery and set the stage for an early-to-mid-teens earnings growth in FY27.
- Market sentiment has seen a sharp reversal with the finalization of the Indo-US trade deal – a key positive impact of this is on the INR as it undoes the negative sentiment led FII outflows and can materially improve the outlook for FDI inflows. Taken together, the reflationary Budget and the US tariff deal can provide an uplift to GDP growth – early estimates suggest a 20 bps uplift to FY27 GDP growth estimates – the impact on earnings will be a key monitorable in the coming quarters.
- Post Budget, the SIGC had been marginally more positive on equities over the last 1-2 months within the strategic asset allocation range across risk profiles and the latest US-India trade development only cements this constructive view. That said, it cannot be ignored that uncertainty (particularly in the global arena) remains high. In such an environment, diversifying portfolios is one of the easiest ways to mitigate risk.
- Risks to our view emerge from 1) a global meltdown or 2) a tightening of financial conditions (the next US Fed Chair is seen as a 'hawk' on the Fed Balance Sheet) 3) continued weakening of the INR
- Factors to watch include 1) the earnings season and the momentum in earning revisions for FY27 2) crude oil price 3) spillover effects from the commodities market
- Opportunity segments within equities:
  - Active, multicap strategies with a bias for largecaps over mid and smallcaps. Sector rotation strategies remain at the center of our guidance portfolios with Compounders/Anchors and Cyclicals bringing up the balance.
  - EM equities offer an attractive form of diversification coupled with good earnings growth, reasonable/low valuations and an INR hedge
  - Alternate ideas across PE/VC/Late stage growth equities – including pre-IPO/Secondaries that offer good valuations and growth

# Guidance on Portfolio Strategy – Fixed Income & Gold

- **FY27 Union Budget: Fixed Income Implications** : Higher gross borrowing in FY27 (**₹17.2tn vs ₹14.6tn in FY26**) and the associated increase in bond supply suggest that **long-end yields are likely to remain under pressure over the next 1–2 quarters**, notwithstanding RBI OMOs and a well-anchored inflation backdrop. Incrementally, **stronger-than-expected tax collections**, if reflected in lower net supply, could help **ease yields beyond 1H FY27**.

- **Rates & Liquidity Backdrop** : The domestic rate-cutting cycle appears to be in its **final phase**, with **one last cut** likely by **FY26 / early FY27 – the latest recovery in the INR diminishes the need for an immediate cut while the focus on easing system liquidity will remain** and this should help **anchor short-to-medium-term yields**, with a modest downward bias.

**Portfolio Positioning**

- **Accrual as the core**: Prefer locking in attractive carry as liquidity conditions improve, which should gradually support spread compression. Focus on high-quality corporate bonds and short-to-medium-term accrual strategies, with selective exposure to performing credit including select, tightly structured real-estate credit

- **Real assets / hybrid yield strategies** : Constructive on income-oriented real assets (REITs / InvITs) and hybrid strategies targeting "debt-plus" returns through market-neutral or derivative-led overlays, with defined downside guardrails and tax efficiency.

- **Duration – supply dynamics dominate :** Long-end yields are likely to remain range-bound with an upward bias in the near term, driven by supply dynamics, OMO actions and global rate cues. This environment may create intermittent tactical opportunities, but offers limited scope for a sustained secular decline in yields

- **Gold – Strategic Allocation** : Medium-term backdrop remains supportive — lower global real rates, sticky inflation, sustained central-bank buying and elevated geopolitical uncertainty together reinforcing gold's role as a strategic portfolio hedge. While near-term consolidation is possible following the sharp CY25/26 rally in gold prices, the strategic case remains intact.

# Quick Overview of Select Equity Ideas

# Select Equity MF / PMS / AIF Ideas

| Products | Brief Rationale & 3-Month Attribution | |
|---|---|---|
| **Renaissance India Next** | ▪ Managed by an experienced Fund manager with a sector agnostic approach<br>▪ Focuses on key themes that will drive the economy - Manufacturing, Exports, Revival of Investment Cycle, Technology Adoption, Digital Ecosystem | ▪ The fund underperformed the Nifty 50 TRI. This can be attributed to:<br>– Underperformance of picks in Auto sectors such as Tata Motors in OEM segment and Exide Inds. in the ancillary space<br>– Alembic Pharma Exposure in healthcare space<br>– Consumer picks such as Jubilant, Crompton Greaves Consumer Electricals and Swiggy<br>– Exposure to PFC in financial space |
| **Kotak Multicap** | ▪ Bottom-up, valuation-sensitive strategy to identify growth opportunities across market caps through a proprietary model<br>▪ Open to investing in select contrarian or non-consensus ideas where there is sufficient valuation buffer | ▪ The fund outperformed the Nifty500 Multicap 50:25:25 TRI. This can be attributed to:<br>– An overweight stance on Communication Services<br>– An underweight stance on Energy, Industrials, Real Estate<br>– Stock selection in Consumer Staples, Financials |
| **ICICI Business Cycle** | ▪ A large-cap-biased strategy that follows an active sector rotation framework, rooted in a top-down macroeconomic perspective<br>▪ Aims to capture cyclical inflection points across sectors | ▪ The fund underperformed the Nifty 500 TRI. This can be attributed to:<br>– An overweight stance on Industrials, Real Estate, Utilities<br>– An underweight stance on IT<br>– Stock selection in Communication Services, Financials |
| **Buoyant Opportunities** | ▪ Managed by 3 FMs who bring their unique set of expertise to manage the portfolio with a flexi cap mandate<br>▪ A core and satellite approach is followed, and the fund manager has flexibility to take cash calls in last quarter , the fund has outperformed the BSE 500 TRI. | ▪ In last quarter, the fund outperformed the BSE 500 TRI. This can be attributed to :<br>– An exposure to Shriram Finance<br>– Exposure to Metals and Chemical Space through Vedanta and Navin Fluorine<br>– Exposure to BFSI space through IDFC First & SBI Life<br>– Exposure to One 97 Communications |

*3-month attribution is as on December 31, 2025*
*Source: Bloomberg (for Equity MFs), Spark PWM Products*

# Select Equity MF / PMS / AIF Ideas

| Products | Brief Rationale & 3-Month Attribution | |
|---|---|---|
| **Nippon India Multi Cap Fund** | ▪ Exposure spans multiple themes, sectors, and stocks<br>▪ Skewed toward large caps to minimize downside risk<br>▪ Minimum 50% exposure to the broader markets | ▪ The fund underperformed the Nifty500 Multicap 50:25:25 TRI. This can be attributed to:<br>– An overweight stance on Consumer Discretionary, Utilities<br>– An underweight stance on Energy, Financials<br>– Stock selection in Financials, Industrials, Materials |
| **Parag Parikh Flexi Cap Fund** | ▪ A valuation-conscious and low churn approach aimed at minimizing downside risk<br>▪ Offers exposure to international stocks, which helps in diversifying geographical risk | ▪ The fund underperformed the Nifty 500 TRI. This can be attributed to:<br>– An overweight stance on Consumer Discretionary, Utilities<br>– An underweight stance on Materials<br>– Stock selection in Financials, Energy, IT |
| **WhiteOak Capital Flexi Cap Fund** | ▪ Growth style of investing followed with emphasis on bottom-up stock picking<br>▪ Key stock selection parameters include Superior return on incremental capital, Scalable long-term opportunities, Strong governance and Price at a substantial discount to intrinsic value | ▪ The fund underperformed the Nifty 500 TRI. This can be attributed to:<br>– An overweight stance on Consumer Discretionary, Real Estate<br>– An underweight stance on Energy<br>– Stock selection in Financials, Healthcare, Materials |
| **Invesco Large & Mid Cap** | ▪ A growth-oriented and tightly constructed portfolio of approximately 40–45 stocks<br>▪ Distinguished by a meaningful allocation to mid and small cap names (60–65%) and an emphasis on emerging business models even within established sectors | ▪ The fund underperformed the Nifty LargeMidcap 250 TRI. This can be attributed to:<br>– An overweight stance on Consumer Discretionary, Healthcare<br>– An underweight stance on Energy<br>– Stock selection in Consumer Discretionary, Healthcare, Industrials, Materials |
| **AAA Budding Beast** | ▪ Diversified portfolio of high quality, established, and emerging leaders with low debt and net profit greater than Rs 50 crore | ▪ In last quarter , the fund has underperformed the BSE 500 TRI. This can be attributed to:<br>– Pick in chemical space i.e. Sudarshan Chemical<br>– Auto Ancillary pick in Gabriel India<br>– Small cap IT pick in Happiest Minds<br>– KIMS in Healthcare space<br>– Industrials and EMS picks such as CG Power & Avalon |
| **ICICI PIPE** | ▪ Small cap focused Mandate managed by Anand Shah & Team at ICICI Pru Alternate division<br>▪ The strategy will look for mispriced growth opportunities that can generate alpha on the back of earnings delivery and re-rating triggers | ▪ In last quarter , the fund has underperformed the BSE 500 TRI. This can be attributed to:<br>– Exposure to Capital market player in UTI<br>– Exposure to Hospitality sector through M&M Holidays & Travel Food Service<br>– Exposure to textile space through KPR Mills & Kewal Kiran Clothings<br>– Chemical exposure to GSFC and GHCL<br>– Swiggy exposure |

*3-month attribution is as on December 31, 2025*
*Source: Bloomberg (for Equity MFs), Spark PWM Products*

# Whiteoak GEM Ex India –GIFT CITY CAT III AIF

## Why we like Whiteoak Gem Ex India

### Firm

- Whiteoak AMC is a boutique asset management company with approximately USD 10 billion in assets under management across domestic mutual funds, alternate strategies, and offshore mandates
- Founded in 2017 by Mr. Prashant Khemka, former CIO and Lead Portfolio Manager at Goldman Sachs Asset Management (GSAM)
- The firm employs its proprietary Opco-Finco framework to value companies — a model based on asset-light multiples that facilitates comparisons across industries and geographies
- The firm has a large investment team comprising of 50-members. Within this, over 22 members focus on emerging markets, with 15 out of 22 members exclusively dedicated to opportunities outside India.
- Built a stable and experienced team, skilled in bottom-up research across both Indian and emerging market mandates.

### Manager

- **Experience**: Hiren Dasani serves as the Chief Investment Officer (CIO) for Emerging Markets at White Oak, bringing 24 years of experience to the role
- **Expertise :** Mr. Dasani's professional background provides significant institutional credibility, particularly from his previous tenure at Goldman Sachs Asset Management (GSAM), where he held senior roles, including Co-Head of Global Emerging Markets Equity
- He oversaw portfolios totaling approximately $22 billion across various strategies, including Global EM, EM ex-China, and India equities
- The scale and diversity of his previous mandates at a leading institutional asset management firm underscore his capability to manage large pools of capital and adeptly navigate the complex geopolitical and market dynamics of emerging markets

### Fund

- **Sharp, well-articulated strategy & clear approach** – Exposure to Sectoral leaders while being opportunistic in the mid and small cap segment in Emerging markets excluding India.
- Positioned to benefit from exposure to sectors in Emerging markets such as **Semiconductor Value Chain (For e.g. Taiwan), Select opportunities available through Latin America markets as well as High End discretionary consumption play opportunities bigger than ones present in India**
- Fund offer opportunities to own high quality companies that are available at reasonable valuations.
- The portfolio emphasizes markets where corporate governance, corporate structure and fundamentals are showing tangible improvement such as China private sector reform, Korea corporate governance enhancement, Taiwan tech dividend yield opportunities - rather than purely macro or index bets
- Strategy can be positioned as a **Core/All Seasons** allocation, aiming to capture both visible earnings growth and potential valuation re-rating, rather than a cyclical or tactical bet on emerging markets

# Suggested PE & VC Ideas

| Particulars | Parameters | Samara Capital Fund III | ValueQuest Scale Fund II | Neo Secondaries Fund |
|---|---|---|---|---|
| Stage | **Early Stage** | - | - | - |
| | **Growth Stage** | - | Yes | - |
| | **Late Stage** | - | Yes | Yes |
| | **Buyout** | Yes | - | - |
| Fund Details | **Min Investment** | 1 Cr | 2 Cr | 1 Cr |
| | **Tenure** | 10+1+1 | 8+1+1 | 6+1+1 |
| | **Spaces** | Consumer, Financials, Healthcare, Business Services | Classic Sectors: Consumer, Pharma, Niche Manufacturing, BFSI<br>New-Age Economy Sectors: Energy Transition, Tech Driven Businesses | Secondaries (focuses on investing in high growth companies , EBITDA positive companies from existing investors in space such as Healthcare, IT/ITES, Consumer, BFSI and Industrial Services) |
| | **Commitment Period** | ~5 years | 3 to 4 years | Upto 3 Years |
| | **Ideal Stake** | 51-100% | 8-10% | Deal Specific |
| | **Exit (Indicative)** | 5th Year Onwards | 4th and 5th Year Onwards | 3rd year Onwards |
| | **Avg Holding Period** | 5-6 Years | 2 -2.5 Years (Late Stage)<br>3.5-4 Years (Growth Stage) | 3-4 Years |
| | **Average Ticket Size** | INR 500-1,500 Cr (Including Offshore + Co Investment) | INR 150 - 400 Cr | Ideally INR 100 -250 Crs |
| | **No. of Investments** | 8 - 10 | 12 - 15 | 10-12 (Can go up to 15) |
| | **Taget IRR** | 25% | 25-30% | 25% |
| | **Target Corpus** | INR 2,000 Cr | INR 3,000+1,000 Cr | INR 2000 Cr |

# Samara Capital III

## Why we like Samara Capital III?

### Firm

- **Expertise** : 15 years of experience in Mid market PE space in India
- **Scale:** Invested INR 10,000 Cr till date
- **Stake:** 51 to 100% stake in a company
- **Experience:** 9 senior MDs with cumulative ~136 years of experience
- **Stability** and **continuity** of the team
- Presence of **Offshore Institutional** and **Global Family offices** in the
- Ability to **source proprietary** deals
- **Network of CEOs** who have proven track record of business transformation
- Track record of creating market leading businesses such as **Sapphire Foods, First Meridian, Marengo Asia**
- **Ability to source exits** in tough times
- **Strong inhouse** research team
- Inhouse **Operating partner** team

### Manager

- Ability to execute **Rollup** plays in sectors ripe for consolidation
  - E.g. Sapphire, First Meridian & Iron Mountain
  - **Valuation conscious**
  - Not lost money in any deals made **since 2010**
  - Expertise in **Consumer, Financial, Healthcare & Business Services**
  - **Value addition** framework enables to replicate success
  - Ability to **onboard high-quality CEOs** to transform portfolio companies
  - Key traits of delas made:
    - INR 300-2000 Cr Revenue
    - Profitable with **20% ROIC**
    - Growing at **15% p.a.**
    - Preference for control
    - Exit orientation

### Fund

- Cat II AIF
- Focus on Buyout deals and Roll-up Plays
- 10+1+1 year time Tenure
- Investment time frame : 4 years
- Exits will be from end of 5th year
- Drawdown Schedule: 65% in first 2 years and rest in Year 3 and 4
- Current Drawdown is 15%
- Average expected holding period is **4-6** years
- Investment Themes:
  - **Unorganized to Organized**
  - **Rising penetration on the back of awareness**
- Fees:
  - 2% management fees
  - 10 % Hurdle and 20% profit share with catchup

# ValueQuest Scale Fund II

## Why we like ValueQuest Scale Fund II?

### Firm

- **Expertise** : Public & Private market expertise developed over the course of firm's 15+ year history
- **Scale:** Raised INR 1,300 Cr till date in Fund I
- **Stake:** ~10% stake
- **Experience:** 9-member team of senior MDs and mid level associates with a cumulative ~90 years of experience
- Highly **experienced team** in **Private Equity** Segment
- Presence of **Family offices and Institutional** clients
- Consistent **source of deal flows**
- **Ability to source exits** through IPOs (5 companies listed in Fund I, 2 have filed for DRHP) out of **14 investments**
- **Strong pedigree of IC members** (All Fund managers in listed and Private Equity space in ValueQuest)

### Manager

- Ability to source and stitch deals in mid market PE segment across both **Late Stage** and **Growth stage**
  - E.g. Waree Energies, TBO tek, RR kabel
  - **Valuation conscious**
  - Ability to execute large ticket size deals at earlier stints
  - Prior Stints: Oman India Joint Investment Fund, Khazanah National, TVS Capital, Mckinsey, Fidelity
  - Expertise in **New Age and Classic Economy sector**
  - Performance Track record of **SCALE Fund I is Gross IRR 35%** and **Net IRR of 32%**
  - S.C.A.L.E approach by identifying **Scalable** companies, that exhibit **Competitive Advantage**, **Adaptive** to changing dynamics as well as tap into new avenues with a **long runway of growth** coupled with **superior Execution** on the back of **Quality of Management team and Balance sheet**

### Fund

- Cat II AIF
- **High Quality** companies across both **Late and Growth** stage
  - **Growth Stage Companies** - Established business model, product market fit and positive unit economics with a 4–5-year investment horizon.
  - **Late-stage Growth Companies** – Similar as growth stage but will be potentially larger with a preferable timeline to IPO within 24-30 months.
- Target Fund raise: INR 3000+1000 crs
- Tenure: 8+1+1 year
- Min Ticket size: INR 2 crs
- Investment time frame : 4 years
- Exits will be likely from 4$^{th}$ to 5$^{th}$ year onwards
- Drawdown Schedule: 1/3$^{rd}$ every year and 305 drawdown at the time of subscription
- Focus Stage: ~60% Growth Stage and ~40% Late Stage

# Neo Secondaries Fund

## Why we like Neo Secondaries Fund

### Firm

- Neo AMC - Manager sponsored by Neo Group with over INR 15K cr of assets across fixed income, structured credit and real assets
- Group set up with the partnership of high-quality investors including MUFJ Japan, Peak XV & Euclidean FO - US
- Team of Founders includes highly pedigreed investment professionals and investment bankers from Edelweiss, Kotak, Macquarie, Deutsche Bank and is comprised of over 35 investment professionals currently
- Supported by a very strong ecosystem of family offices & offshore ; for instance - over INR 650 cr has already been raised in the current fund from the Group Anchor investors and their GIFT fund
- Well entrenched in the PE ecosystem and strong capability to source proprietary deals

### Manager

- **Experience**: Fund Manager has solid track record of over 2 decades in the PE industry with CLSA and Motilal, prior to heading TPG New Quest in India
- **Expertise :** Secondaries experience in India is as yet limited – but Nitin Agarwal – Head Seo Secondaries has led this strategy at TPG New Quest and therefore, has good experience in this space and comes with deep networks in the industry as well. Supported by the Neo Founders team who are seasoned deal makers / investment bankers in their own right
- Fund Manager has never lost money on any deal in the past 20 years
- Current portfolio and the active deal pipeline is predominantly proprietary – access to most of these deals will be possible only via this Fund route

### Fund

- Cat II AIF
- **Late Stage, Growth Oriented Secondaries Fund**
- **"Secondaries are funds that mainly acquire equity stakes in businesses acquired from existing PE / VCF investors at meaningful discounts"**
- Target Fund raise: INR 2000 crs
- Tenure: 6+1+1year | Min Ticket size: INR 1 crs
- Investment time frame : Min. 6 years
- Exits will be likely from 4th to 5th year onwards
- Drawdown Schedule: 40% now & balance over next 12 - 15M
- Focus Stage: Late stage with 2 – 3 yrs to IPO
- **Scale:** Raised INR 1,400 Cr till date – of which ~INR 650 cr has come from Sponsors and Anchor investors of the Neo Group
- Not a blind pool – of the targeted 10 – 12 deals, 5 deals already in the portfolio at very attractive valuations.
- Very robust deal pipeline, predominantly proprietary

# Quick Overview of Select Fixed Income Ideas

# Sundaram Performing Credit Opportunities Fund (PCOF) Series I – rated AA+ SO by CARE

## Product Overview

| | |
|---|---|
| **Category** | **Category II AIF** |
| **Target Corpus** | INR 1500 Cr + 500 Cr greenshoe |
| **Min Investments** | INR 1 Cr |
| **Management Fees** | Up to 1.85% p.a. |
| **Targeted Yield (Gross)** | 15% - 16% IRR<br>(Pre-taxes and Pre-expenses) |
| **Distribution** | Quarterly distribution of 2.0-2.5% |
| **Tenure** | 5 years + 2 years |
| **Operating Expense** | At actuals, up to 0.25% p.a. |
| **Sponsors** | Sundaram Finance |
| **Sponsor Commitment** | Up to 15%* of aggregate capital commitment |

## Highlights of the Fund

- The fund aims to invest in high yielding debentures (including equity warrants) to MSME / SME / Fintech / Manufacturing / Services companies backed by a combination of business cash flows, promoter assets, guarantees, share pledges and other security structures
- Portfolio of ~12 – 15 investments over fund life
- Quarterly distribution of cash coupon, capital distributions after 4th year
- Sector/Geography:
- Focus on 'core sectors' with group synergies
- 'Growth' focus on MSME/SME, bridge funding to larger companies
- Pan India Focus on urban and major cities
- Single investment concentration limit: 10-15%**. Single Industry Concentration limit: 25%**
- Balance between short-term quick churn & HTM to maximize portfolio returns

## Past Fund :Sundaram AMC

No. Of Funds:
**5 (1 has matured, 4 are deployed)**

AUM Garnered:
**~INR 3,150 Cr**

Portfolio
**IRR (Gross): ~15.2% (Matured Funds)**

Portfolio
**IRR (Gross): ~17% (Deployed Funds)**

## Fund Manager Details

**Vaatsal Tandon**
*Fund Manager, PCOF-I Fund*

**Work Experience**
*12+ years*

**Previous Stints**
*JM Financial, ARKA Fincap Ltd*

*Subject to Sundaram Finance Board Approvals
**Additional concentration limit of 5% in one-off situations with higher thresholds of approval

# Credit AIF: Spark Equitized Credit Solutions Fund III (SpECS III)

### Product Overview

| | |
|---|---|
| **Fund** | **SpECS III** |
| **Category** | Category II AIF |
| **Target Corpus** | INR 750 Crs + Greenshoe option INR 250 Crs |
| **Min Investments** | INR 1 Cr; in multiple drawdowns |
| **Management Fees** | 1.5% on drawn down capital |
| **Targeted Yield (Gross)** | 15.0%+ (Pre-taxes and Pre-expenses) |
| **Hurdle rate** | 10.0% IRR (INR terms) |
| **Carried Interest** | 15.0% over hurdle rate; no catch-up |
| **Tenure** | 5+1+1 years |
| **Set-up cost** | Capped at 0.5% of committed capital |
| **Nature of Investments** | Structured Debt in the form of NCDs, FCDs, CCPS |
| **Sponsors** | Spark Asia Impact Pvt. Ltd. |

### Highlights of SpECS Fund III

| | |
|---|---|
| **Product Positioning** | Private Structured Credit for Mid-market enterprises |
| **Ticket Size** | **INR 15-120 Cr** |
| **Investee Segment** | Mid-market corporates of Revenues between **INR 50-2,000 Cr** |
| **Sectors** | Predominantly in Manufacturing, Consumer, Business & Technology services, Pharma & Healthcare, BFSI# |
| **Concentration** | **< 25% of fund's corpus** in single group |
| **Collateral** | **Primary** - operating cash flows and escrows<br>**Secondary** - Hard assets, Pledge of shares |
| **Take-outs** | Upfront fees + coupon + back-ended premium/ warrants |
| **Investing Instruments*** ** | NCD, OCD, CCD, CCPS, OCPS |
| **Tenor** | **24-48** months |

### SpECS II Details (Previous Fund)

First Close: **Nov 2022**

AUM Garnered: **~INR 594.5 Crs**

**100%** amount drawn to date

**18** Investments made including redeployment

Amount distributed: **INR 166.1 Crs**

Portfolio **IRR: 14.8% (Gross)**

### Fund Manager Details

**Kapil Ramamurthy** in
*Co-founder, Spark Capital*

**Work Experience**
**25+** *years*

**Previous Stints**
*HDFC Bank & Standard Chartered Bank*

*Source: Spark Alternative Assets Advisors India Pvt Ltd*

# Real Asset AIF: ICICI Pru Office Yield Optimiser Fund II

## Product Overview

| | |
|---|---|
| **Fund** | **ICICI Pru OYO Fund II** |
| **Category** | Category II AIF |
| **Target Corpus** | INR 2000 Cr + 500 Cr green shoe |
| **Min Investments** | INR 1 Cr |
| **Management Fees** | Upto 2% p.a. |
| **Targeted Yield (Gross)** | 15% - 18%<br>(Pre-taxes and Pre-expenses) |
| **Tenure** | 6+1+1 years |
| **Operating Expense** | At actuals, 0.1% - 1% of AUM |
| **Nature of Investments** | Listed and Unlisted Equity and Debt instruments |
| **Sponsors** | ICICI Trusteeship Services Limited |

## Highlights of ICICI Pru OYO Fund II

- The Fund will invest in equity, equity-linked, and debt instruments in companies that own, construct, or operate commercial properties in major Indian cities, aiming to earn rental income and benefit from yield compression and rising rents.
- The target properties include offices, retail assets, logistic parks, life-sciences facilities, warehouses, and data centers.
- Investment in companies which owns or will own :
  - Pre-leased commercial real estate with potential for capital appreciation
  - Not more than 30% of the fund to be invested in companies which owns or will own built-to-suit / completed - vacant properties
- Significant skin in the game – Sponsor contribution of 10% of the fund size
- Average ticket size of INR 100 - 300 Cr size
- Average investment tenor of 36 – 60 months

## OYO Fund I Details (Previous Fund)

First Close: **Oct 2022**

AUM Garnered: **~INR 1,716 Mn**

**Fully** deployed

**4** Investments made

Avg Ticket Size: **INR 400 Crs**

Portfolio **IRR: 13% (Gross)**

## Fund Manager Details

**Vishal Gupta**
*Principal - Investments, ICICI Pru AMC*

**Work Experience**
*19+ years*

**Previous Stints**
*Kotak Mahindra Prime & ICICI Bank*

*Source: ICICI Pru Alternates*

# Real Estate Credit AIF: Sundaram Alternates Real Estate Credit Fund V

## Product Overview

| | |
|---|---|
| **Category** | **Category II AIF** |
| **Target Corpus** | INR 1000 to 1500 Crs |
| **Min Investments** | INR 1 Cr |
| **Management Fees** | Up to 2% p.a. |
| **Targeted Yield (Gross)** | 18% - 20% IRR (Pre-taxes and Pre-expenses) |
| **Carried Interest** | 20%, no catch-up |
| **Hurdle Rate** | 12% |
| **Distribution** | 14-16% p.a on quarterly basis |
| **Tenure** | 5 years + 2 years |
| **Operating Expense** | At actuals, up to 0.25% p.a. |
| **Sponsors** | Sundaram Finance |
| **Sponsor Commitment** | Up to 15%* of aggregate capital commitment |

## Highlights of the Fund

- Sundaram Alternates Real Estate Credit Fund V, is a 5-year, Cat II AIF providing structured credit to brownfield residential projects led by credible mid-market and select Grade A developers.
- Portfolio to comprise of structured debt lent against RERA approved, post launch, mid-income residential RE projects with proven sales momentum
- Key geographies include south cities plus selectively Mumbai & Pune
- 15-20 deals with amortizing structures and an average deal size of INR 40 – 120 Cr
- Every deal to be secured by at least 2 independent, cash flow generating assets
- Single Investment limit of 10-15% and 25% limit on single geography
- Quarterly distribution of cash coupon, capital distributions after 4th year
- Sponsor commitment of upto 15%

## Past RE Fund :Sundaram AMC

No. Of Funds:
**4 (2 has matured, 2 are deployed)**

AUM Garnered:
**~INR 2,600 Cr**

Gros IRR - Matured Funds
**Fund 1: ~15.20%**
**Fund II: ~17.01%**

Gros IRR - Deployed Funds
**Fund III: ~17.60%**
**Fund IV: ~18.30%**

**100% capital recovery with zero defaults**

## Fund Manager Details

**Manoj Mahadevan**

**Arjun Sankar**

**Combined Work Experience of *2 plus decades***

*Source: Sundaram Alternates*
**Subject to Sundaram Finance Board Approvals*

Spark Capital
Private Wealth Management

# Northern Arc Money Market Alpha Fund

| Fund Details | |
|---|---|
| Fund AUM | 485 Cr |
| Average Maturity | 111 days |
| Yield | 9.43% |
| Modified Duration | 0.21 years |
| Exit Load | 0.25% before 84 days |
| Minimum Lock-in | 25 days |
| Management Fee | 0.97% / 0.70% |
| Redemption request | To be placed by 25th of every month |

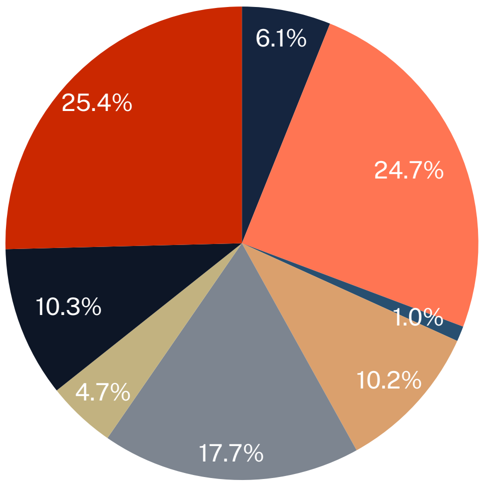
## Investment Philosophy & Strategy

- The fund will invest in commercial papers, certificate of deposits, fixed deposits, sovereign securities and non-convertible debentures
- Investments to be in securities having maturity of <366 days; weighted average maturity of the portfolio of around 120 days
- Liquid Portion (Short-term rating A1+): 15%-20%
- Credit Portion (Northern Arc's investee companies): 80%-85%
- Monthly redemption option at the month end

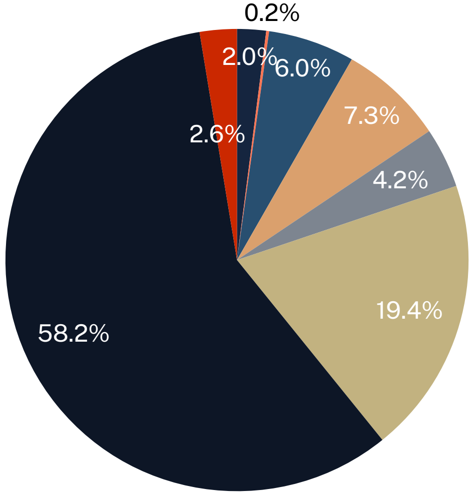
## Fund Returns

| | 1M | 3M | 6M | 1Y | SI |
|---|---|---|---|---|---|
| Class A5 (Investment < 5Cr) | 7.99% | 8.02% | 7.87% | 8.58% | 8.94% |
| Class A6 (Investment > 5Cr) | 8.31% | 8.35% | 8.20% | 8.92% | 9.28% |
| CRISIL Liquid Fund Index | 5.68% | 5.70% | 5.71% | 6.39% | 5.84% |

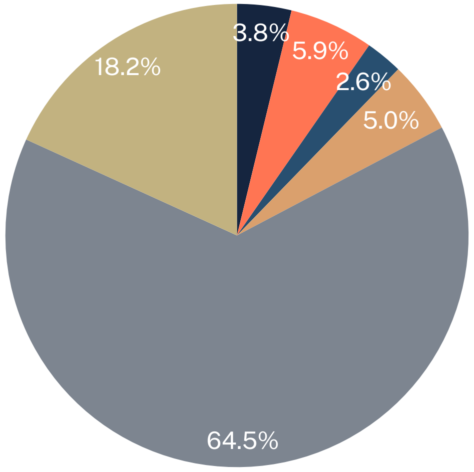
## Investment Mix – By Sectors




## Investment Mix – By Tenure




## Investment Mix – By Asset Type




*Data as of 31st December 2025*

# Altiva Hybrid Long-short SIF

| Fund Details | |
|---|---|
| **Fund managers** | Bhavesh Jain<br>Bhavesh Lahoti<br>Dhaval Dalal<br>Pranavi Kulkarni<br>Amit Vora |
| **Strategy's Inception Date** | 20-Oct-2025 |
| **AUM (INR Cr)** | 1,318 |
| **Taxation** | Long term @ 12.5% post 12 months |
| **Exit Load** | 0.5% within 3 months, Nil after that |
| **Min. application** | INR 10 lacs |
| **Subscription** | Daily |
| **Redemption** | Twice Weekly – Monday & Wednesday |

## Investment Philosophy & Strategy

Positioned as Debt-oriented strategy – seeking to deliver low volatile, debt plus returns (post tax) across market cycles | Strategy is constructed to prioritize capital preservation, income stability, and tax efficiency, while selectively enhancing returns through market-neutral equity and income oriented derivative strategies

**Core Strategy:**
Target annual return: 7-7.5%

Cash-future arbitrage & Covered call: (20-40%)
Arbitrage strategies aiming to capture low-risk returns.

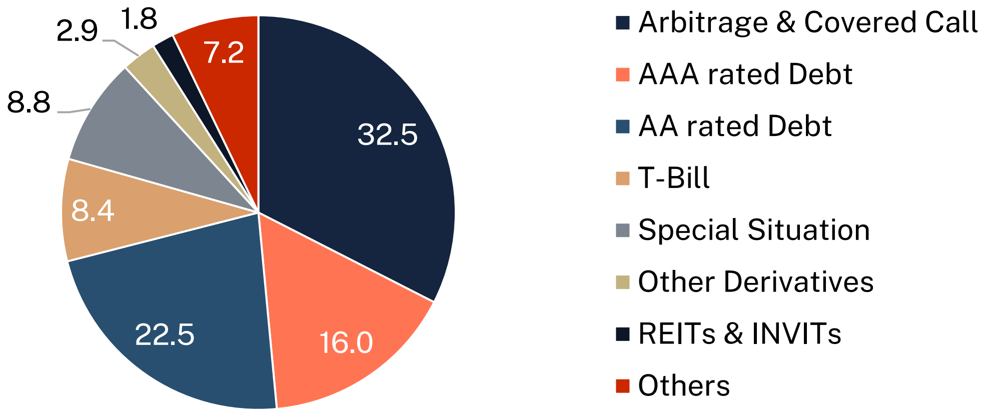
Fixed Income: (40-60%)
Invest in quality debt instruments aiming to generate accrual and potential price appreciation

**Enhanced Drivers:**
Enhance the core portfolio returns by 2.5-3%

Special Situations: (0-10%)
IPO, Open Offer, Buyback, Merger/Demerger, QIP, Index inclusion/Exclusion etc.

Derivative Strategies: (10-20%)
Long-Short equities, Straddle, Strangle, Put-call Parity etc.

## Asset Allocation




| Portfolio Quants (Core Debt) | |
|---|---|
| YTM (%) | 7.86 |
| Average maturity (years) | 2.34 |
| Modified duration (years) | 2.05 |

*Source: ACE MF.*
*Portfolio details as on 31st December 2025*
*Past track record are not an indicator of future performance*

Spark Capital
Private Wealth Management

# Smile Electronics Limited (SEL)

| Details of the Issuance | |
|---|---|
| **Issuer Name** | **Smile Electronics Limited ("SEL")** |
| **Type of Instrument** | Secured, Unlisted, Rated Non-Convertible Debentures (NCDs) |
| **Rating** | CRISIL BBB+ Stable |
| **Printed Coupon / XIRR** | 11.00% pa.pm. (XIRR 11.57%) |
| **Face Value/Debenture** | 1,00,000 per NCD |
| **Investor Yield to Put** | 12.00% YTP |
| **Principal Payout** | Principal shall be repayable in 9 quarterly instalments (~11.11% each quarter) after a moratorium period of 12 months i.e. from 31stJuly 2026 and quarterly thereafter. *55.5% shall be paid at the end of 24 months from allotment date upon exercise of Put Option by the Debenture holders.* |
| **Put Option Exercise Date** | 31st July 2027 (24 months from deemed allotment) |
| **Allotment Date /Maturity Date** | 30th July 2025 / 30th July 2028 (36 Months from Deemed Allotment) |
| **Step Up Coupon Rate** | ▪ **Downgrade:** If the credit rating of the debenture or the company falls, the coupon increases by 0.50% per notch downgrade.<br>▪ Once the rating is restored to "CRISIL BBB+", the interest rate returns to the original level. |
| **Covenants** | **Issuer:**<br>▪ Total Outside liabilities / Tangible Net Worth should not exceed 3x, tested annually.<br>▪ Issuer must maintain positive EBITDA and PBT, tested annually.<br>**Guarantor:**<br>▪ Zetwerk Manufacturing Businesses Private Limited (ZMBPL)- Parent Entity, must stay EBITDA positive from FY2025 onwards, tested annually.<br>▪ Consolidated Debt-to-Equity must not exceed 0.5x, tested half-yearly |
| **Security** | **Exclusive Charge on Shares:**<br>1.5x shares held by ZEPL in the Issuer - SEL (in the form of an NDU Based on 2024 valuation; adjusted if future funding is at a lower price.<br>**Asset Charges:**<br>Exclusive charge on Plant & Machinery (~₹9 Cr from issuance proceeds) and Second charge on current & movable fixed assets .<br>**Guarantee**<br>Corporate guarantee by Zetwerk Manufacturing Businesses Private Limited (ZMBPL).<br>**Security Cover:**<br>1.2x shall be maintained on all debt obligations of the Issuer – Total current assets + total fixed assets (Net block) shall be 1.2x of all outstanding financial obligations at all points in time<br>**Cash Margins:**<br>10% FD with commercial bank. |

# Whizdm Finance Private Limited “(Moneyview)”.

| Details of the Issuance | |
|---|---|
| **Issuer Name** | **Whizdm Finance Private Limited “(Moneyview)”.** |
| **Type of Instrument** | Senior, Secured, Rated, Unlisted Non-Convertible Debentures |
| **Rating** | India Ratings IND A- / Stable |
| **Face Value/Debenture** | INR 1,00,00,000 |
| **Printed Yield** | 11.50% papm / XIRR 12.13% |
| **Investor Yield** | 12.25% |
| **Principal Payout** | Bullet, at Maturity |
| **Interest Payout** | Monthly |
| **Residual Tenor** | 13 Months |
| **Covenants** | 1. The Issuer shall maintain a GNPA ratio not exceeding 5% during the tenure of the debenture.<br>2. The Issuer shall always maintain a CRAR (Capital to Risk-Weighted Assets Ratio) of at least 20% during the tenure of the Debentures.<br>3. The Issuer shall ensure that the Debt-to-Equity ratio at Whizdm Finance (Issuer) level does not exceed 4 times during the tenure of the debenture.<br>4. The Issuer shall ensure that the unencumbered cash and bank balance at Whizdm Finance (Issuer) level of at least INR 200 Crore during the tenure of the debenture. |
| **Security Cover** | The issue shall be secured by way of a first-ranking, exclusive, and continuing charge over hypothecated receivables, with a minimum Security Cover of 1.10x (110%) of the aggregate outstanding principal and accrued interest/obligations. |

# Ecozen Solutions Pvt Ltd.

| Details of the Issuance | |
|---|---|
| **Issuer Name** | Ecozen Solutions Private Limited |
| **Type of Instrument** | Secured, Unlisted, Unrated, Redeemable and Non-Convertible Debentures (‘NCDs') |
| **Rating** | Unrated |
| **Face Value/Debenture** | INR 10,00,000 |
| **Printed Coupon** | 11.50% - Payable Monthly |
| **Investor Yield (Yield to Put)** | 12.25% XIRR |
| **Principal Payout** | Principal shall be repayable upon exercise of Put option or Maturity. |
| **Interest Payout** | Monthly |
| **Tenor (Put option exercise date)** | ~11 months |
| **Trade date** | TBC |
| **Covenants** | 1. Total Debt / Tangible Net Worth <2x<br>2. Total Asset / Total Debt >1.2x<br>3. Total Debt / EBITDA <3x<br>4. Minimum equity infusion – at least USD 15 million before March 31, 2026 |
| **Security Cover** | Facility shall be secured by:<br>▪ Second ranking charge on all existing and future fixed and current assets of the Issuer.<br>▪ Corporate Guarantee from Ecofrost Technologies Private Limited.<br>▪ Post-dated cheques for the interest and principal repayment<br>▪ Cover provided in the form of hypothecation of moveable fixed assets and current assets at least 1x of the outstanding amount during the continuation of facility |

*Instruments are subject to availability*

# Indel Money Limited ("Indel")

| Details of the Issuance | |
|---|---|
| **Issuer Name** | Indel Money Limited ("Indel") |
| **Type of Instrument** | Senior, Secured, Rated, Listed Non-Convertible Debentures |
| **Rating** | Infomerics Valuation and Rating Pvt. Ltd (IVR) A- / Stable |
| **Face Value/Debenture** | INR 1,00,000 |
| **Printed Coupon** | 10.50% papm |
| **Investor Yield** | 11.00% XIRR |
| **Principal Payout** | Bullet, at Maturity |
| **Interest Payout** | Monthly |
| **Maturity** | 23rd Jan 2028 |
| **Trade date** | 10th Feb 2026 |
| **Covenants** | 1. The Issuer shall always maintain a CRAR (Capital to Risk-Weighted Assets Ratio) of at least 20% and Tier 1 CRAR should be at 15% during the tenure of the Debentures.<br>2. The Issuer shall maintain Net NPA ratio not exceeding 4% during the tenure of the debenture.<br>3. The Issuer shall ensure that the Debt-to-Equity ratio does not exceed 5 times during the tenure of the debenture.<br>4. The gold loan portfolio shall consistently constitute at least 80% of the total loan book<br>(All above covenant shall be tested on quarterly basis ) |
| **Security Cover** | The issue shall be secured by way of a first-ranking, exclusive, and continuing charge over hypothecated receivables (Gold Loan Receivable and Cash and Bank balance) , with a minimum Security Cover of 1.10x (110%) of the aggregate outstanding principal and accrued interest/obligations. |

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