# Investor Letter – FY26

Dear Investors,

Hope you and your loved ones are safe and well.

Let me give you the performance summary for the full year ending 30-Jun-26:

| Period | Portfolio CAGR | Nifty50 CAGR | v/s Nifty |
|---|---|---|---|
| 12 months | -0.8% | -6.6% | 5.7% |
| 24 months | 7.0% | -0.4% | 7.4% |
| 36 months | 11.3% | 7.2% | 4.1% |
| Since Inception | 13.0% | 7.1% | 5.9% |

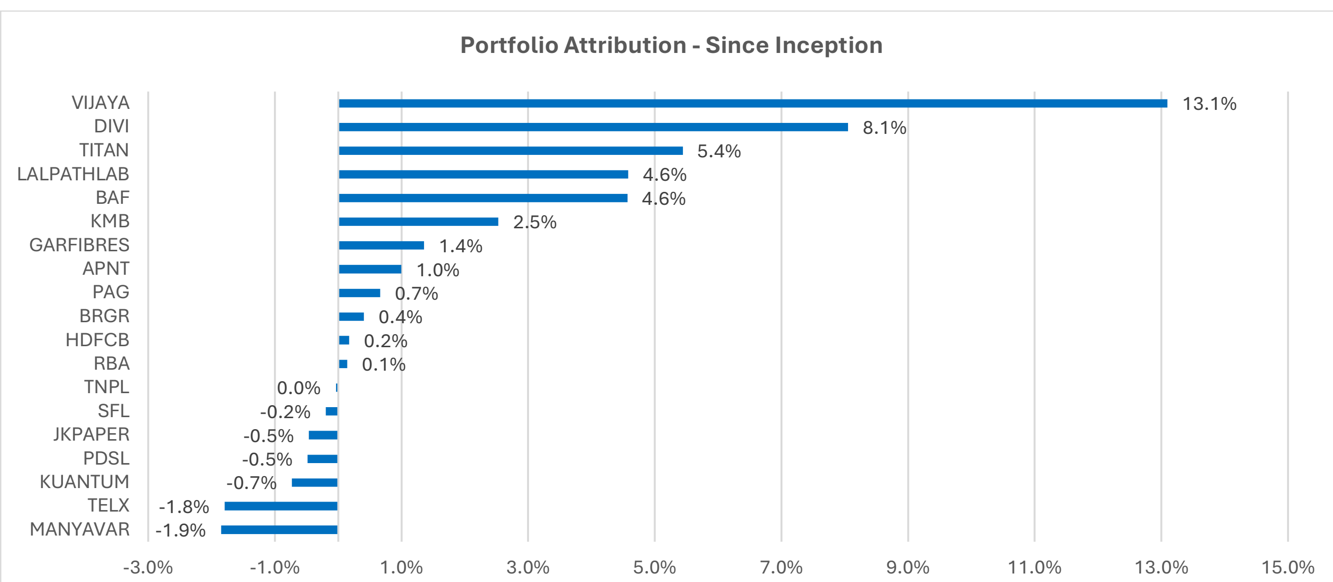
**Our full-year FY26 performance exemplifies the power of disciplined patience.**

As Charlie Munger said: *"There are huge advantages for an individual to get into a position where you make a few great investments and just sit on your ass: You are paying less to brokers, you are listening to less nonsense, and if it works, the tax system gives you an extra, one, two, or three percentage points per annum."*

In H1FY26, we faced an 8.5% underperformance. Rather than chase short-term price movements, we remained committed to our fundamental thesis. Q4 results vindicated this approach: our portfolio delivered **5.7% outperformance versus the Nifty50 to close the year.**

I sit on my ass (as Mr. Munger would call it) for most of the days, just reading annual reports, concall transcripts, interacting with people in the sector under research to expand & deepen my knowledge about various business. That's what I did on 31st March 2026 – reading the earnings call transcripts for an MFI lender to understand how they navigated the covid crisis, when the Nifty50 was down >10% for the month of March. My job is to ensure that I maximise your post tax returns and the best way to do that is to buy companies which we can own for decades without the need to sell (and pay taxes to the government) which will generate shareholder returns superior to the broader index.

Now let me display performance at the stock level:



Our strategy of holding winners with conviction delivered strong results, particularly in healthcare, where expanded weightage contributed disproportionately to returns. Conversely, our two largest detractors remain the Design-Led IT Services company and the Ethnic-wear retailer—both of which we continue to monitor given their long-term potential.

Now let me highlight a few of our holdings and where do I stand on owning them in the portfolio:

- **Pharma Manufacturer:** We own one of the largest API manufacturers in India. The business is run by a Hyderabad based family. The company ticks off all the boxes for our typical long-term holding orientation:
  - **a.** Highly moated: economies of scale, lowest cost producer, IP protection, supply chain execution superiority
  - **b.** Efficient Capital Allocation: Organic capex + Dividends
  - **c.** TAM expansion: New products having 10x TAM of existing + capturing higher realisation of the value chain
  - d. Succession evidence: 2nd generation siblings – one with chemistry, production & sales skillset & another with supply chain, cost & finance end

  In the past year, the company has benefitted from INR depreciation which may not recur in the near term and cause some volatility in the earnings & share price of the company. **Any fall in share price of this company in the coming year will be seen as an opportunity to accumulate more shares.**

- **Jewellery Retailer:** We own a portion of the largest jewellery retailer in India in our portfolios. In the past year, jewellery retailers have benefitted on the back of gold prices going up by more than 50% (3x in the last 4yrs). There are certain near-term headwinds that might adversely impact the industry and our holding, mainly the custom duty hike from 6% to 15% on gold as well as a correction in gold prices (20% down from peak already). The long-term prospects remain positive for the company – market moving from local jewellers to organised chains as well as accelerated market share gains for our investee company on back of superior designs & retail execution, proficient inventory management and strong financing in form of favourable gold loan policies and more importantly franchisee partners. **Any fall in share price of this company in the coming year will be seen as an opportunity to accumulate more shares.**

- **Largest Private Sector Bank:** Recent governance concerns - a chairman resignation and business practice scrutiny - have driven a 20-25% correction. However, **we view this noise as a buying opportunity.** Fundamentally, the bank's merger integration is progressing well, lending book quality remains sound, and regulatory authorities have indicated no material concerns. We **continue to accumulate shares at depressed valuations**, viewing volatility as a gift during our accumulation phase.

- **Nets & Ropes Manufacturer:** We own a unique business which manufactures nets & ropes. The end use of these nets is primarily in high-end salmon fishing in Norway and Chile as well as sports nettings in badminton, tennis & football. The ropes are used to prevent landslides and high tide led flooding. So, the next time on your way to Lonavala when you see the ropes holding the rocks and preventing a landslide or you are watching the Wimbledon or FIFA World Cup, you can feel a bit of pride that an Indian company is enabling that and you are a part owner of it.

This business was disrupted in the past year due to external issues – tariffs by US, logistics disruption due to US Iran War, restrictions on salmon fishing in Norway etc. The promoter is one of the smartest and most patient capital allocators I have witnessed, and he has displayed his skills during this turbulent period as well. Taking advantage of the temporary regulatory issue in Norway, he acquired a Norway based competitor of his (with a 50yr legacy) at lucrative valuations which fit strategically into his plans to acquire clients in Norway (global salmon manufacturing hub). Due to the tariffs and global shipping routes disruption, the market punished export led plays and the company witnessed a ~30% price correction from peak. The promoter smartly took advantage of this and bought back 1.63% of the paid-up share capital at depressed valuations. This should give us incremental ownership in the business without the need to deploy more capital and a higher share of the earnings going forward. **We would ideally like to continue to hold this company for the longer term.**

- **Burger QSR:** There has been a development in the Burger QSR holding of ours in the form of an **ownership change. We will await to hear the plans from the new owners** and see whether they align with our investment hypothesis or not and accordingly shall take a call.

- **Apparel Sourcing Platform:** USA business turned profitable in Q1 (was major drag on numbers) + capital allocation discipline brought in through investment guardrails on new partnerships + brand management business make-or-break call to be taken in H1FY27, effectively ending the largest drag on profitability over the recent years. **The US tariff led disruption in apparel supply chains is beneficial for our investee company as unlike apparel manufacturers who are geographically constrained, the platform business is agile enough to create tie-ups with manufacturers in tariff favoured nations and gain further business from existing and new clients.**

The other companies have been covered in our H1FY26 Investor Letter and hence not touching base upon them in this letter. The hypothesis is tracking well in these companies, and they shall find inclusion into our investor letter only when something changes significantly – for better or worse.

In the past one year, while sitting on his ass, your fund manager has primarily focussed on 2 things: **Expanding his Circle of Competence and Increasing leaning towards Value Investing.**

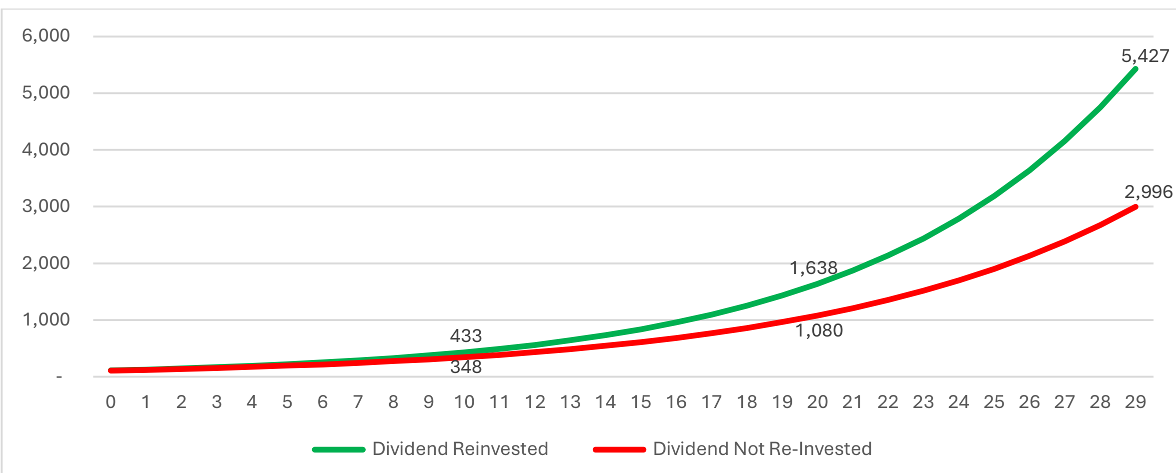
**Circle of Competence** Our investment discipline centers on deeply understanding business competitive dynamics, industry structures, and long-term catalysts. We invest only within sectors we can analyse rigorously, where we can assess which companies will sustain advantages over long periods and how the industry dynamics would shape up 5-10 years down the line. This approach has two consequences:

1. **We will miss some euphoric rallies:** New & rapidly evolving technology waves (like semiconductors or AI), growth stories in unfamiliar sectors, and structural plays outside our expertise will outperform our portfolio in certain years. I have made my peace with this as I am not risking yours & my capital into things I can't make head or tail about.

2. **We focus on errors of omission within our circle:** I would however kick myself in the butt if I missed out on a company within my circle of competence and I was sucking my thumb instead of pressing the trigger. **Errors of commission (buying what we don't understand) destroy capital; errors of omission simply cost us relative performance.**

**Value Investing** is simply buying into companies at prices less than what their Intrinsic Value is. The valuation for these are derived on the basis of the growth and longevity of its earnings or cash flows as well as the replacement value or market value of assets owned. The advantage is clear: bad news is unlikely to surprise further, while good news (earnings recovery, competitive normalization, regulatory clarity) offers multi-year upside with built-in margin of safety. The tradeoff: we often enter before inflection points, which means experiencing near-term drawdowns while catalysts develop. Patience and willingness to look stupid in the near term are key for success in this style of investment. Our investment in the Paper sector can be construed as a deep value investment – Replacement value of assets > Market Capitalisation, depressed earnings coupled with all time low earnings multiples. One can expect more such investments in the future as your fund manager builds his circle of competence on cyclical and commodity business.

I would now like to end this letter with bringing your focus to a key component in our compounding journey going forward – **Dividend Reinvestment.**




**I recommend reinvesting your 0.6% current dividend yield into purchasing additional shares rather than taking it as cash.** Over long periods, dividend reinvestment drives exponential compounding. A portfolio yielding 2% dividend yield and reinvested at 12% CAGR over a 30yr period, grows to 1.8x the size of one where dividends are consumed. As our value-focused portfolio matures, we expect dividend yields to rise further, making reinvestment increasingly valuable.

Thanks & Regards,

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