

VR CAPITAL

Investment Policy Statement

November 2025

"We do not predict the future. We position for it."

1. Investment Philosophy

VR Capital operates on a singular conviction: markets are efficient most of the time, but spectacularly inefficient some of the time. Our mandate is to identify and exploit these inefficiencies by purchasing businesses not tickers when market sentiment diverges materially from business reality.

We think in decades, not quarters. Our approach mirrors that of a private equity acquirer operating in public markets: we conduct deep operational due diligence, develop conviction-weighted positions, and hold through volatility with the discipline of an owner-operator.

Core Tenets

Arbitrage of Time and Perception. The market's obsession with short-term earnings creates systematic mispricings in businesses undergoing transformation, facing temporary headwinds, or simply operating outside the coverage universe of institutional analysts. We position capital where patience generates alpha.

Business Quality at Distressed Prices. We seek to acquire ownership in structurally advantaged businesses during moments of maximum pessimism. The intersection of quality and crisis is where asymmetric returns are born.

Incentive Alignment as Alpha. We track institutional capital flows and promoter behaviour with forensic attention. Smart money leaves fingerprints. When sophisticated capital enters distressed situations, we recognise it as a signal, not noise.

2. Investment Objective

Primary Goal: Generate a compounded annual growth rate exceeding 25% over a five to ten year investment horizon, materially outperforming benchmark indices while preserving capital during drawdowns.

Risk Philosophy: We maintain high tolerance for price volatility, recognising that short-term fluctuations are the toll paid for long-term compounding. We maintain zero tolerance for permanent capital impairment arising from business failure, thesis violation, or structural deterioration.

Our definition of risk is not standard deviation. Risk is the probability of permanent loss. A 40% drawdown in a fundamentally sound business is an opportunity; a 10% decline in a structurally impaired business is a warning.

3. Investment Strategy

Our analytical framework is grounded in first-principles thinking, drawing from the mental models articulated by Benjamin Graham, Warren Buffett, and Charlie Munger.

Inversion: The Art of Avoiding Stupidity

Before asking how an investment might succeed, we rigorously examine how it could fail. We construct detailed pre-mortems for every position, identifying the specific conditions under which our thesis would be invalidated. This discipline ensures we never conflate conviction with hope.

The Lollapalooza Effect: Convergent Forces

We seek situations where multiple independent variables align to create asymmetric upside. These typically include some combination of policy tailwinds, capacity expansion, management transformation, liquidity events, or cyclical recovery. Single-variable theses are speculations; multi-variable convergence is investment.

Moat and Pivot: Two Archetypes

The Fortress. Businesses with durable competitive advantages through intellectual property, distribution networks, regulatory positioning, or switching costs. These are compounders that we hold through cycles.

The Pivot. Businesses priced for terminal decline that are quietly transforming their operating models, capital allocation, or market positioning. The market's backward-looking nature creates opportunities in forward-looking transformation.

4. Portfolio Construction

The portfolio employs a barbell allocation model designed to balance return generation with capital preservation. This structure ensures we capture upside from high-conviction positions while maintaining stability through diversified anchors.

Bucket	Strategic Purpose
Turnaround & Special Situations	High-alpha positions in distressed assets where management change or institutional sponsorship provides credible recovery path. Typically 20-25% allocation.
Deep Value & Cyclical	Cash-rich businesses at single-digit earnings multiples providing downside protection and optionality during market dislocations. Typically 20-25% allocation.
High Quality Growth	Compounding businesses with ROE exceeding 20%, operating in structurally growing sectors. We accept premium valuations for demonstrated pricing power. Typically 25-30% allocation.
Structural Growth	Concentrated positions directly exposed to India's manufacturing renaissance and credit deepening themes. Typically 15-20% allocation.
Liquidity Buffer	Highly liquid large-cap positions or cash equivalents providing stability and dry powder for opportunistic deployment. Typically 5% allocation.

5. Risk Management Framework

VR Capital does not sell positions due to price declines. We exit exclusively when the original investment thesis is violated. Each position carries specific, pre-defined exit triggers that are monitored with quarterly discipline.

Thesis Violation Triggers

Exit triggers are position-specific and may include: departure of anchor institutional investors before value realisation; sustained margin compression indicating loss of pricing power; failure to execute announced strategic pivots within defined timeframes; deterioration in asset quality metrics beyond acceptable thresholds; or consecutive quarters of declining operating performance in growth positions.

Monitoring Protocol

All holdings undergo quarterly review against their original investment thesis. Position sizing is adjusted based on conviction level, risk-reward evolution, and portfolio correlation. We maintain detailed investment memos that document our original thesis, key assumptions, and specific conditions that would warrant exit.

6. Fee Structure

To ensure complete alignment between manager and capital providers, VR Capital operates on a performance-linked economic model designed to reward alpha generation rather than asset gathering.

Management Fee: 1.00% per annum, calculated on opening assets under management. This covers operational infrastructure, research capabilities, and administrative costs.

Performance Fee: 10.00% of net profits, subject to a high water mark provision. The manager participates meaningfully in returns only when the portfolio compounds above its previous peak value. This structure ensures we eat our own cooking.

7. Operating Principles

VR Capital commits to the following non-negotiable principles:

Patience Over Activity. We will not over-trade. Activity is not accomplishment. We will allow businesses to compound without interference, recognising that the greatest returns come from doing nothing intelligently.

Signal Over Noise. We will ignore macroeconomic headlines and focus exclusively on microeconomic execution at the company level. The market's daily gyrations are entertainment; business fundamentals are investment.

Decisive Action. When a thesis violation is triggered, we will exit without hesitation or emotional attachment. When a fat pitch presents itself, we will size positions with conviction. Timidity is not prudence.

Radical Transparency. We will communicate our thinking, our mistakes, and our learnings with complete candour. Trust is built through honesty, not performance alone.

This document serves as the foundational constitution for VR Capital operations.

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