

VR CAPITAL

Portfolio Holdings & Investment Rationale

November 2025

"We own businesses, not tickers."

Portfolio Philosophy

This document provides a transparent view into VR Capital's current holdings and the investment rationale underpinning each position. Every holding reflects a specific, documented thesis with clear expectations and defined exit triggers.

Our portfolio is constructed as a barbell: concentrated positions in high-conviction turnarounds balanced against quality compounders and deep value anchors. This structure allows us to capture asymmetric upside while protecting against permanent capital impairment.

Turnaround & Special Situations

These positions represent our highest-conviction ideas where market pessimism has created substantial mispricings. Each is characterised by identifiable catalysts and institutional sponsorship that provides a credible path to value realisation.

Fusion Finance Limited

MICROFINANCE • TURNAROUND

Fusion Finance represents a classic distressed asset play where institutional sponsorship provides asymmetric upside. The company is a leading microfinance institution that faced severe credit quality deterioration following overleveraging in key geographies during the post-pandemic recovery.

The Thesis: Warburg Pincus, one of the world's most sophisticated private equity firms with deep expertise in Indian financial services, acquired a significant stake in Fusion at distressed valuations. Their playbook is well-documented: clean up the balance sheet, install professional management, tighten underwriting standards, and exit at a substantial premium once asset quality normalises. We are effectively buying alongside a sophisticated operator who has both the expertise and the incentive to fix the business.

Key Catalysts: Credit cost normalisation below 4% as legacy portfolio seasons out; book value accretion as provisions reverse; potential re-rating as the company transitions from distressed to growth narrative.

Exit Trigger: Warburg Pincus stake reduction before value realisation, or sustained credit costs exceeding 4.5% for two consecutive quarters indicating structural rather than cyclical issues.

Jammu & Kashmir Bank

REGIONAL BANKING • DEEP VALUE

J&K Bank is the dominant banking franchise in Jammu, Kashmir, and Ladakh with near-monopoly positioning in government business flows. The bank trades at significant

discount to book value despite completing a multi-year asset quality cleanup under new management.

The Thesis: Regional banks with entrenched government relationships and captive deposit franchises historically re-rate sharply once asset quality concerns abate. J&K Bank's gross NPA has declined from peak levels above 10% to below 4%, yet the stock continues to trade as though the cleanup never happened. The combination of sub-book valuation, improving return ratios, and geographic monopoly creates a compelling risk-reward.

Key Catalysts: Continued GNPA reduction toward 3%; ROA expansion above 1% triggering institutional interest; potential dividend resumption signalling management confidence.

Exit Trigger: GNPA exceeding 4.5% indicating return of poor underwriting discipline.

Indian Energy Exchange

POWER MARKETS • SPECIAL SITUATION

IEX operates India's dominant power exchange with approximately 95% market share in the day-ahead electricity market. The stock has de-rated significantly on concerns around market share erosion from new entrants and regulatory headwinds.

The Thesis: The market is pricing in a worst-case scenario of meaningful market share loss that fundamentally misunderstands the dynamics of exchange businesses. Network effects, liquidity advantages, and switching costs create durable moats in exchange models globally. IEX's transaction costs are a rounding error in the overall power purchase cost for utilities, making price-based competition an ineffective wedge. Meanwhile, India's power market is structurally growing at 6-8% annually, providing a rising tide even if market share were to compress modestly.

Key Catalysts: Demonstrated resilience of market share against competitive entry; volume growth reacceleration; new product launches in green certificates and capacity markets.

Exit Trigger: Sustained market share loss below 85% indicating competitive moat is weaker than assessed.

Deep Value & Cyclical

These positions serve as portfolio anchors, providing downside protection through asset backing while offering optionality on cyclical recovery or strategic transformation.

Prakash Pipes Limited

BUILDING MATERIALS • DEEP VALUE

Prakash Pipes is a North India-focused PVC pipes manufacturer with established distribution networks across agricultural and plumbing segments. The stock has declined substantially due to raw material cost pressures and competitive intensity in the organised pipes space.

The Thesis: The PVC pipes industry is undergoing structural consolidation as GST implementation, quality consciousness, and working capital requirements squeeze unorganised players. Prakash Pipes, despite near-term margin pressures, has a debt-free balance sheet, established brand equity in its operating geographies, and trades at a significant discount to replacement cost of its manufacturing assets. We are acquiring a real business with tangible assets at a price that assumes permanent impairment.

Key Catalysts: PVC price stabilisation enabling margin recovery; market share gains from unorganised sector; government push on irrigation and water infrastructure.

Exit Trigger: Sustained negative operating cash flows indicating fundamental business model impairment.

KNR Constructions

INFRASTRUCTURE • PIVOT

KNR is among India's most respected infrastructure execution companies with a pristine track record of project completion and capital discipline. The stock has de-rated alongside the broader infrastructure sector on concerns around order inflow deceleration.

The Thesis: KNR is executing a strategic pivot from roads to mining and irrigation that the market has not fully appreciated. Mining contracts offer higher margins, better working capital cycles, and longer duration revenue visibility compared to traditional EPC. Management's conservative approach to bidding—often passing on contracts that competitors win at unsustainable margins—has historically been validated when those competitors face cost overruns. We are buying a world-class execution capability at cyclically depressed valuations.

Key Catalysts: Mining order wins demonstrating successful pivot; margin expansion from better-quality order book; road asset monetisation providing valuation support.

Exit Trigger: Zero new order inflow by March 2026 indicating loss of competitive positioning.

High Quality Growth

These are compounding machines—businesses with demonstrated pricing power, high returns on capital, and long reinvestment runways. We pay premium valuations for genuine quality, recognising that time is the friend of the wonderful business.

Tips Industries Limited

MEDIA & ENTERTAINMENT • COMPOUNDER

Tips Industries owns one of India's largest catalogues of Bollywood music spanning the golden era of the 1990s and 2000s. The company operates an asset-light licensing model, monetising its perpetual IP rights across streaming platforms, broadcasting, and synchronisation.

The Thesis: Music catalogues are perpetual royalty streams with zero incremental capital requirements and natural inflation protection. Tips' library includes some of Bollywood's most iconic soundtracks—assets whose cultural relevance appreciates over time rather than depreciates. The shift from piracy to paid streaming has fundamentally transformed the economics of music ownership in India, converting what was previously a declining business into a high-growth, high-margin annuity. Management's capital allocation—special dividends and minimal reinvestment in new content—demonstrates shareholder alignment.

Key Catalysts: Streaming platform expansion increasing addressable market; annual licensing renewals at improved rates; potential catalogue acquisitions adding to perpetual IP base.

Exit Trigger: Non-renewal of major licensing agreements with YouTube, Spotify, or JioSaavn.

Varun Beverages Limited

CONSUMER STAPLES • COMPOUNDER

Varun Beverages is the largest franchisee bottler for PepsiCo globally, with exclusive rights across India and select international markets. The company has consistently demonstrated superior execution in distribution, manufacturing efficiency, and geographic expansion.

The Thesis: Beverage consumption in India remains at a fraction of global averages, providing a multi-decade growth runway as urbanisation, modern retail penetration, and disposable incomes expand. Varun's exclusive bottling relationship with PepsiCo provides access to globally proven brands while allowing the company to capture the majority of value chain economics. Management's track record of disciplined acquisition-led expansion—acquiring additional PepsiCo territories at reasonable valuations—suggests continued compounding of intrinsic value.

Key Catalysts: Additional territory acquisitions; premiumisation driving revenue per case growth; international expansion providing optionality.

Exit Trigger: Sustained volume decline indicating category maturation or competitive displacement.

Oberoi Realty

REAL ESTATE • QUALITY

Oberoi Realty is India's premier luxury residential developer with an unmatched brand in the Mumbai Metropolitan Region. The company's disciplined approach to land acquisition, project execution, and customer experience has created a franchise that commands significant pricing premiums over competitors.

The Thesis: Mumbai's luxury residential market is structurally undersupplied as regulatory complexity, land scarcity, and execution challenges limit quality supply. Oberoi's brand, balance sheet strength, and development capabilities position it as a consolidator in a fragmented market. Unlike most Indian developers, Oberoi maintains conservative leverage and recognises revenue on completion rather than percentage-of-completion, providing earnings quality that justifies premium valuations. The annuity income from Oberoi Mall and Commerz provides downside protection.

Key Catalysts: New project launches in acquired land parcels; pre-sales booking value growth; commercial rental escalations.

Exit Trigger: Consecutive quarters of declining pre-sales booking values indicating demand weakness.

Structural Growth

These positions represent direct exposure to India's most powerful secular tailwinds—manufacturing renaissance and credit deepening. We size these aggressively given the long-duration growth visibility.

Insolation Energy Limited

SOLAR MANUFACTURING • STRUCTURAL GROWTH

Insolation Energy is a vertically integrated solar module manufacturer benefiting from India's push toward domestic manufacturing through Production Linked Incentive schemes and basic customs duty protection on imports.

The Thesis: India's solar manufacturing buildout represents one of the largest industrial policy commitments in the country's history. Insolation's capacity expansion from current levels to 4GW positions it to capture meaningful share of this structural demand. The company's upcoming migration from SME platform to mainboard exchange will unlock institutional participation and liquidity—a one-time re-rating catalyst. Current valuations do not reflect the embedded optionality from PLI incentive realisation.

Key Catalysts: Mainboard migration triggering institutional buying; capacity commissioning on schedule; PLI milestone achievements.

Exit Trigger: EBITDA margins compressing below 7% indicating loss of pricing power, or failure to complete mainboard migration.

AU Small Finance Bank

BANKING • STRUCTURAL GROWTH

AU Small Finance Bank is India's largest small finance bank by assets, having successfully transitioned from an NBFC to a full-service bank. The company specialises in serving underbanked customer segments with vehicle finance, MSME lending, and affordable housing.

The Thesis: India's credit-to-GDP ratio remains well below emerging market averages, with formal credit penetration in MSME and rural segments particularly underdeveloped. AU's technology-first operating model enables unit economics in customer segments that traditional banks find uneconomical to serve. The recent acquisition of Fincare provides geographic diversification and accelerates the deposit franchise buildout. Management's track record of maintaining asset quality while growing aggressively provides confidence in the sustainability of returns.

Key Catalysts: Fincare integration synergies; CASA ratio improvement reducing funding costs; potential universal bank license upgrade.

Exit Trigger: Sustained credit cost elevation above 2.5% indicating underwriting discipline deterioration.

Concluding Remarks

Each position in this portfolio exists because we have developed a differentiated, documented thesis that we believe the market has mispriced. We do not own diversified baskets of "good companies"—we own concentrated positions in specific situations where our analysis suggests substantial upside with definable downside.

Our commitment to investors is transparency in our thinking and discipline in our execution. When theses are validated, we will hold with conviction. When theses are violated, we will exit without sentiment. This is the VR Capital way.

VR Capital

Delhi • November 2025