

## Electrum S.C.A.L.E Strategy – November 2025

### Objective

Electrum SCALE strategy aims to invest in companies largely in mid-cap space. It will have sector agnostic exposure with bottom-up stock picking. These are the companies which have gone past the smaller size and ready to achieve scale with better growth rates than larger established companies. They are companies that can become large-cap in long term. These businesses have established themselves in market and will gain economies of scale on a structural basis.

#### S.C.A.L.E stands for:

- Selective Allocation to Scalable Businesses
- Cash Flow-Centric Analysis
- Agility in Portfolio Construction
- Long-Term Vision, Short-Term Discipline
- Execution with Risk Control

### Market Summary

#### Market Overview

**Market moves - Headline at all time high however pain in broader markets**

Nifty made headlines for recording a new high recently, however, underneath the strong performance of headline indices the broader market breadth remained weak. Nifty returned ~8.5% while BSE Small cap index was down by around 6% from Nov 2024 to Nov 2025. In the last 8-10 days the small cap index has further sharply corrected by nearly 2-3% mainly due to delay in the India US trade deal.

Broader markets had started to perform on the anticipation of trade deal with US, however with no deal in sight, stocks once again lost momentum. We still anticipate that a deal will go through in next couple of months and that may act as trigger for broader markets to perform.

IPO/Unlisted category is seeing increased opportunities and part of the funds have been diverted there. With series of continuous IPO's, the funds are getting locked in to play the listing gains. The IPOs are coming at much higher valuation than many of the stocks in the secondary market. As and when this euphoria settles down, we believe there will be fund movement towards secondary markets where valuations have become relatively cheaper.

#### India Macro – Stable but Re/\$ a spoiler

GDP print for Q2FY 26 was strong at 8.2%. Further with benign inflation and RBI rate cut, we expect the momentum to continue. However, Re/\$ at lifetime low has impacted the macro sentiment and led to FII outflows continuously. With increased CAD, mainly led by higher gold imports Re/\$ may see some more weakness before stabilizing.

We expect continued Govt led capex in various sectors like railways, defense, power among the large ones which will continue to drive strong GDP growth. GST rate cut led consumption to improve in last few weeks with automobiles topping the chart. Real estate continues to do well along with the consumption basket.

### Key terms

Scheme: Electrum S.C.A.L.E

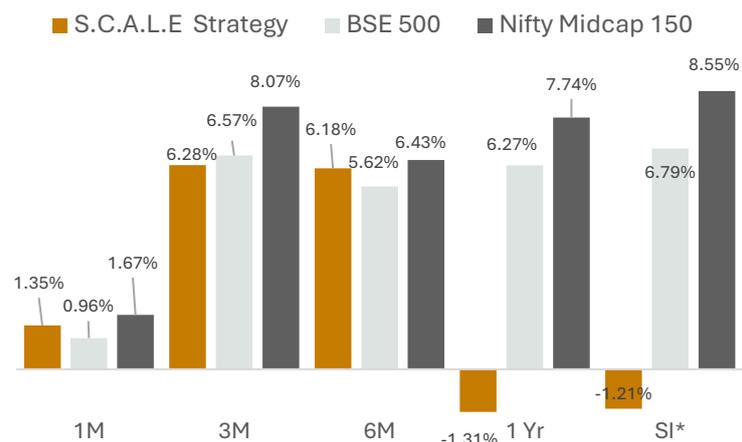
Benchmark: BSE 500 TRI

Min. Investment: Rs 50 lakhs

Strategy type: Open ended

Exit Load : 2% in case of partial / complete withdrawal before 1 year of account opening

### Electrum S.C.A.L.E Performance:

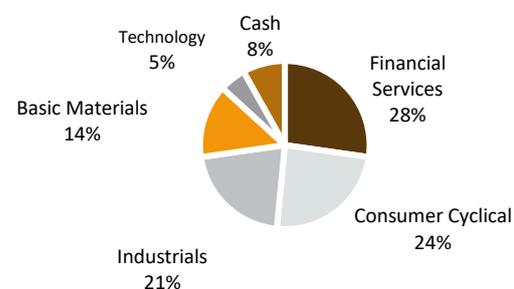


Returns as on November 30, 2025	1M	3M	6M	1 Year*	Since Inception**
<b>S.C.A.L.E Strategy</b>	1.35%	6.28%	6.18%	-1.31%	-1.21%
BSE 500 (TRI)	0.96%	6.57%	5.62%	6.27%	6.79%
<b>Out/(under) performance</b>	0.39%	-0.29%	0.56%	-7.58%	-8.00%
Nifty Midcap 150 (TRI)	1.67%	8.07%	6.43%	7.74%	8.55%
<b>Out/(under) performance</b>	-0.32%	-1.79%	-0.25%	-9.05%	-9.76%

\*Annualized Return

\*\*Since Inception Date 27/11/2020

### Top Sectors



Portfolio Attributes	FY26E	FY27E	FY28E
<b>PE</b>	32.8	24.2	18.9
<b>ROE</b>	15%	16%	16%
<b>D/E</b>	1.68	1.55	1.42

## Small/midcap space – Strong returns but lumpy in nature, Patience and conviction is rewarded

Small cap segment is currently out of flavor, and many investors are shying away from taking positions in this segment. There is loss of confidence and negative sentiments in the space. This is a repeat of many earlier instances where such sentiments are at play and in subsequent periods markets tend to do well.

Fundamentally speaking, Q2fy26 has been a comeback quarter with reasonably good revenue and earnings growth. Many companies are near highest revenue and profits for Q2 vs earlier year Q2, however their stock prices are 20-40 % lower from 52week high. Thus, we believe that current situation is a fertile ground for hunting stocks. Investors will have to be positioned in this space in current times to ride the subsequent rally, timing the market may result in lost opportunities. Given below is a snapshot of the correction in small midcap space from their respective highs:

Market Cap Range (₹ Cr)	Drawdown from their All time High		
	Drawdown >30%	Drawdown >40%	Drawdown >50%
1000 to 10000	73.14%	54.95%	34.76%
1000 to 30000	69.12%	51.01%	31.50%

Market Cap Range (₹ Cr)	Drawdown from their 52-week High		
	Drawdown >30%	Drawdown >40%	Drawdown >50%
1000 to 10000	50.68%	27.20%	10.38%
1000 to 30000	47.16%	24.50%	9.36%

**Note:** Small-cap classification is based on the latest AMFI guidelines.

All 52-week drawdown metrics are computed using closing prices as of **01 December 2025**, across a universe of **1,143** companies.

Drawdown thresholds are reported on a **cumulative basis**—i.e., the “>30%” bucket also includes stocks down more than 40% and 50%, and the “>40%” bucket similarly includes those down more than 50%.

## Portfolio colour

We believe most of the headwinds are now behind, and tailwinds are emerging some of them being strong GDP growth, continued capex spends, strong quarterly results, strong demand in auto and real estate as well as expectations of US tariff rate cut soon. Some of these triggers continue to play out market will start its upward trajectory.

Our investee companies continue to have good growth prospects, remain financially stable with low gearing and most of them are leaders or in top 3 in the industry they operate in. For perspective ~ 50% of the companies are leaders in their segments while others are in top 3. This gives confidence that these companies have moats and financial strength to keep growing over long term.

In Q2FY26, our portfolio companies reported a weighted average revenue growth of 18.5% while ebidta growth was 26%. Many of the companies have reported one of the best 2<sup>nd</sup> quarter in last 4-5 years, however market sentiments being low currently there are less takers of such companies. However, we believe this is where patience becomes useful and as positive triggers play out at macro level sentiments change quickly and buying re emerges.

Weighted Average YoY Growth – Portfolio (2Q26 vs 2Q25)	
Metric	YoY Growth
Revenue from Operations	18.60%
EBITDA	26.10%
PAT	130.20%

**Note -** \*Weights as on 30 November 2025. The exponential growth in PAT is primarily due to two portfolio companies turning profitable during the quarter, resulting in a favorable base effect.

## Conclusion

When markets remain, weak patience is tested, and weak hands move out of the market at lower levels further impacting stock prices. Usually before a strong uptick the last leg of market fall may be brutal. However, such times provide valuation comfort and fertile investing ground. Rather than looking near term, looking 2-3 years out will provide comfort. Small midcaps work largely on sentiment in the short term and earnings growth in the long run. It is not possible to time the market we would recommend investors to hold on to the positions and stay invested so that they can play the next upcycle.