

## Electrum S.C.A.L.E Strategy – March 2026

### Objective

Electrum SCALE strategy is designed to capture young, yet established businesses positioned for significant expansion. We focus on companies that have successfully navigated their early growth stages and are now poised to become market leaders or challengers. This allows us to mitigate the execution risk associated with earlier-stage growth. We find these opportunities mostly among small and mid-sized companies, with a few notable exceptions among larger companies.

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

- Scalability
- Cash Generation Potential
- Agility to navigate a dynamic business landscape
- Longevity
- Execution track record

### Market Summary

#### Market update

India enters the new financial year amidst a complex global backdrop. While domestic indicators remain robust, geopolitical tensions in West Asia are creating significant headwinds.

#### Chaotic environment continues!

The Iran-US/Israel war has now extended beyond a month. The war was started over concerns about Iran building nuclear capabilities. However, focus has now shifted to the Strait of Hormuz – a transit point for 20% of global oil, creating a significant supply disruption amid soaring oil prices.

While India has reduced its reliance on this route (40% of supplies vs. 55% in 2020), delivery delays are driving costs higher across Asia. Oil prices themselves have doubled in a month to \$100–\$110.

Further, the Iranian drone strike on Qatar gas infrastructure has impacted gas production there, leading to “force majeure” (unavoidable supply halts) from one of Asia’s largest suppliers.

These events have resulted in price rises across the crude and gas chain, like chemicals, which in turn is impacting end products like consumer durables, packaging costs, chips, semiconductors, etc. Further logistics and costs of insurance have also increased, leading to a squeeze in profitability.

#### India macro – so far so good, but headwinds seen!

Domestically, March was a month of robust high-frequency data. Net GST collections rose 8.2% yoy to Rs 19.35 tr in March – the strongest in the last 6 months since the rollout of the GST 2.0 regime. Domestic passenger vehicle sales increased 16% yoy while UPI transactions recorded a 10% growth to reach Rs 29.5 tr. Credit growth remained strong at around 13.5% yoy. Corporate balance sheets remain healthy with one of the lowest debt levels, leading to one of the lowest credit costs for the banking system.

### Key terms

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

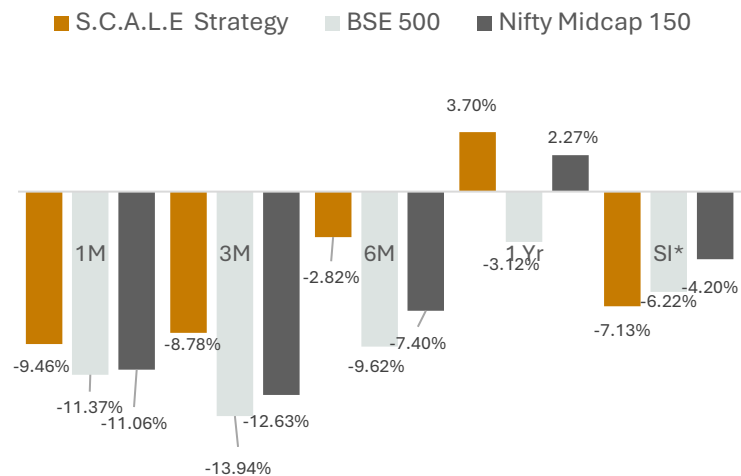
Benchmark: BSE 500 TRI

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:

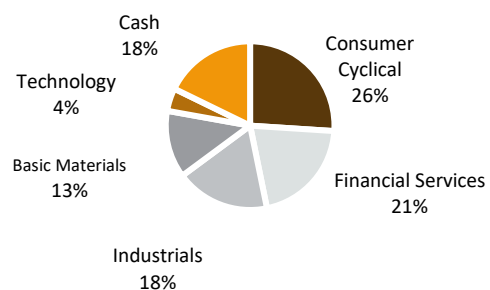


Returns as on March 31, 2026	1M	3M	6M	1 Year*	Since Inception**
<b>S.C.A.L.E Strategy</b>	-9.46%	-8.78%	-2.82%	3.70%	-7.13%
BSE 500 (TRI)	-11.37%	-13.94%	-9.62%	-3.12%	-6.22%
<b>Out/(under) performance</b>	1.91%	5.16%	6.80%	6.82%	-0.91%
Nifty Midcap 150 (TRI)	-11.06%	-12.63%	-7.40%	2.27%	-4.20%
<b>Out/(under) performance</b>	1.60%	3.85%	4.58%	1.43%	-2.93%

\*Annualized Return

\*\*Since Inception Date 27/11/2024

### Top Sectors



Portfolio Attributes	FY26E	FY27E	FY28E
PE	23	16	13
ROE	11%	13%	19%
D/E	1.57	1.40	1.26

On the flip side, impact on supply chains, rising fuel prices, a weakening Rupee, rising yields, and continuous FII (Foreign Institutional Investor) outflows are putting pressure on equities. The government is eyeing new sources of oil and gas while increasing domestic production. Further plans are also there to set up new storage terminals for future energy storage.

Risks of inflation, slower growth, and increasing CAD may result in further currency depreciation if the war is prolonged, and hence may not be great for equities in the short run. History, however, suggests that such short-term setbacks usually create an attractive opportunity for the longer run.

## Portfolio updates

Our philosophy continues to guide us through this turmoil. We continue to focus on the key pillars of our process - growth, management and governance, a healthy balance sheet and reasonable valuation. The current environment is providing us with some attractive opportunities that meet all such criteria. We thus continue to use the drawdowns to make our portfolios robust as well as hold some dry-gun powder for potential opportunities. This strategy has helped us navigate the last 12 months of market upheavals better, reflected in a relative performance over this period.

The near-term outlook is muddled at least for the next 1-2 quarters, as the input cost inflation may impact corporate profitability. However, strong balance sheets will help most sectors to weather this storm well. Hoping for an end to the war soon, we assume a normalised H2 FY27 and expect the next 2-3 years to be strong in terms of earnings growth in a normalised environment.

## To conclude...

The current market correction is improving the "risk-reward" ratio for long-term investors. At 18x/21x p/e the Nifty-50/Nifty small-cap indices are currently trading closer to their 10-year averages, respectively, thus offering a reasonable margin of safety.

Uncertainty and volatility are an integral part of investing. Sound investing centres around preparing for such events, rather than avoiding them.

The markets have been tested multiple times historically – the Great Depression, dot com bubble, global financial crisis, NPA crisis of Indian banks, demonetization, Covid-19, Russia-Ukraine war, tariff tantrums, multiple wars between India and Pakistan and now Iran vs US and Israel. Each time the markets have recovered strongly from these jolts, and this time should be no different.

Wealth is generally created in bear markets, only realised in bull markets. Falling stock prices don't destroy wealth themselves; rather, emotional reactions to such prices do. Our advice, therefore, has consistently been to use the ongoing turmoil to create a long-term portfolio of robust businesses.