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SNR INVESTMENT ADVISERS PRIVATE LIMITED

Half Yearly Letter – October 2025

Dear Investor Partners,

We hope you and your families had a joyful Diwali season. The festival spirit was reflected in the markets too, with markets regaining momentum in the days leading up to Diwali. This recent uptrend served a reminder as well that while sentiment may swing with headlines, disciplined investors who stay anchored to fundamentals often find themselves rewarded when optimized returns.

As seasons change, so do markets. Yet the roots of long-term growth run deeper than short-term changes. Over the past six months, the headlines may have shifted, but the underlying story of India's economy continues to be one of resilience and structural progress.

We have also transitioned from a **quarterly to a half-yearly** investor letter beginning this year. A three-month window can often be too short and noisy to derive meaningful insights, whereas a six-month period allows us to communicate with greater perspective and focus on enduring developments rather than temporary fluctuations.

The Art of Rejection in Investing

India's stock market offers an extraordinary breadth of opportunities with over 5,000 listed companies yet true investing mastery lies not in what one chooses to own, but in what one chooses to reject.

The "art of rejection" is about saying no to businesses where fundamentals do not measure up, where valuations outpace sustainable growth, or where governance or capital allocation raise concerns. By consciously excluding such opportunities, investors create room to focus on high-conviction ideas, companies with durable competitive advantages, prudent management, and the ability to compound capital over time.

In a market as large and dynamic as India's, this discipline of rejection is not about missing out; it's about preserving clarity, conviction, and capital. It's what separates a portfolio built for endurance from one built for excitement.

We try to follow this Art every time we are faced with making changes in our recommendation or portfolio construction. We reject all such investment idea which do not fit our investment framework leaving us with which we feel are expected to provide the sustainable returns at portfolio lever over long period of time.

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Market Outlook

Over the past six months, Indian equities have experienced two contrasting phases:

April - June 2025: buoyant, liquidity-driven optimism following strong corporate earnings, policy continuity after the elections, and steady domestic inflows.

July - September 2025: a more cautious tone as global headwinds - notably U.S. tariff measures on Indian exports and sustained FPI outflows introduced volatility and tempered sentiment.

Large-caps held ground while mid and small caps witnessed consolidation after an extended rally. Such pauses are natural and healthy; after the sharp appreciation seen in 2024 and early 2025, a period of valuation cooling restores equilibrium. Investors who stayed aligned to business fundamentals rather than chasing short-term market swings were better positioned during this phase.

Timing the 'corrections' is rarely successful, conviction and patience remain the true differentiators in sideways markets.

Macro Backdrop – India's Growth Story

India's economic performance continues to underpin confidence in the long-term story.

GDP Growth: For **Q1 FY 2025-26 (April–June 2025),** India's GDP grew by **7.8% y-o-y,** demonstrating resilience amid global uncertainty.

FY 2024-25: The full-year growth stood at **6.5%.**

FY 2025-26 Outlook: Growth is projected between **6.7% – 6.9%,** supported by domestic demand, government-led capital expenditure, and a strong services sector.

Inflation has moderated within the RBI's comfort band, corporate balance sheets remain healthy, and credit growth continues to expand, reinforcing a stable macro foundation. This steady base, combined with cyclical cooling in valuations, positions the market for a more sustainable advance ahead.

Investment Insights - Return on Equity (ROE)

In our last letter, we discussed the **PEG Ratio (Price/Earnings to Growth)** as a tool to evaluate valuation relative to growth. However, as we have often reiterated, no single metric tells the full story.

When assessing the quality and sustainability of a business, we turn to a core measure of management efficiency - **Return on Equity (ROE).**

While PEG captures what the market expects, ROE captures how effectively a company delivers. In essence, it measures how much profit is generated for every rupee of shareholder equity.

A high and consistent ROE often reflects a strong moat, efficient capital allocation, and business scalability. Conversely, a low or erratic ROE may signal inefficiency, over-capital intensity, or a lack of competitive advantage.

Balancing **PEG (valuation vs. growth)** with **ROE (efficiency and quality)** ensures we pursue not "cheap growth" but "quality growth" - businesses that can compound wealth sustainably through cycles.

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Life and Health

Every morning, a retired army officer stepped into his garden at sunrise, not to jog, not to lift weights but simply to stretch.

His neighbour once asked "You were trained to run miles. Now this?"

He smiled, "At this age, strength matters less than mobility. It's not about doing more, it's about doing what keeps you going. Wellness is not always about extremes. Sometimes, it is about gentle habits that keep you moving forward."

Likewise, Investing is not always about chasing high returns. It's about ensuring your portfolio remains flexible, resilient and aligned with your life stage, so it can carry you forward, not weigh you down.

Performance

While we firmly believe equity returns must be judged over a 5+ year horizon, we continue to share shorter-term metrics for transparency.

While we do not consider a period of less than five years as adequate for measuring equity investment returns, for the sake of transparency, below are the in general return generated by our advised portfolio Alpha 30 vs Benchmark (in Absolute %):

This information is for our clients. Please contact us if you need any information on this.

* Returns are reflected since 30th June 2022.

* Client returns may vary depending on investment timing, portfolio selection, and asset allocation. Returns may vary from client to client based on the portfolio recommended, timings and/ or different weightages.

Our mutual fund recommendations have delivered a mixed performance this year, in line with the volatility across categories.

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Client Engagement:

We have provided online platform access to all the clients where you can log in and see your portfolios. While we do not suggest you frequently log in and see the portfolios, our team will be happy to assist you if you need assistance accessing your investment portfolios.

A Timeless Advice - People with regular investment plans through SIPs should continue investing. And it's always a good idea to have some cash to capitalize on opportunities whenever the same comes up.

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Thanks & Regards,

Manoj Sharma & Jitender Kumar
6th October 2025

"The essence of investment management is the management of risks, not the management of returns."

-Benjamin Graham

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