






RBSA Investment Managers Inaugural Edition

Serenity in Motion
Investing in Bharat's Structural Upside



Executive Summary

Welcome to the inaugural edition of *Serenity in Motion*, RBSA Investment Managers' investor letter. This issue sets the foundation for our philosophy, strategy, and outlook.

-  We begin with our **Owner's Manual**, which outlines how we align interests with our investors, the principles that guide our discipline, and the process-driven approach that underpins every decision we make.
-  The **Investment Case for Bharat** explores why India is entering a rare structural sweet spot—with demographic tailwinds, digital infrastructure, and policy reforms converging to unlock sustained long-term growth.
-  We then present a brief **Investment Thesis on Epigral Limited**, a case study of a domestic manufacturer evolving into a specialty chemicals leader, exemplifying our approach to identifying patient compounders.
-  In our **BFSI note**, we share how we navigate one of the most complex yet foundational sectors of the Indian economy—why we favour banks, and within banks why we prefer the top 5 banks.
-  Finally, we provide our **portfolio performance** along with commentary.

This edition is intentionally written in simple language—it mirrors our philosophy: *Keep it simple.*



Owner's Manual

Our North-star:

- 1. Alignment of Interests:** At RBSA Investment Managers, we believe in true alignment with our investors. Our partners also invest their personal capital in the same portfolio, reflecting our shared conviction and commitment. We honestly believe in "having skin in the game".
- 2. Stewardship of Your Capital:** We manage your capital with the same diligence and discipline as we do our own guided by a clear framework that incorporates macroeconomic conditions, valuations, and liquidity. Every investment decision is made with a deep sense of responsibility and long-term orientation.
- 3. Transparency and Communication:** We commit to being candid in our performance reporting and address any questions you may have.
- 4. Focus on Businesses:** Our investment approach is rooted in assessing the underlying business—not just the stock price. We ask: *Is this business worth investing in? And if so, is the current price attractive enough? For further reading, we encourage to read [here](#).*
- 5. Adherence to Investment Philosophy:** We are deeply committed to the Investment Philosophy detailed in [here](#). We expect you to hold us accountable for adhering to the principles we have outlined and committed to you.
- 6. Focus on Process over Outcome:** While positive outcomes are our ultimate goal, we believe that diligently adhering to a sound investment process is paramount. We encourage you to evaluate us primarily on the consistency and discipline of our process.
- 7. Discipline in Market Extremes:** In the face of extreme market fears and temptations, our intention is to remain steadfast and often do nothing. We aspire to maintain considerable discipline in such situations.
- 8. Performance Evaluation:** While we are accountable for long-term outcomes, we believe performance is best judged over a five-year rolling period—aligned with the long-term nature of our strategy. Every investment decision we make prioritizes maximizing your post-tax returns. However, we must clarify that official performance reporting, as per regulations, is done on a pre-tax basis but net of fees and other expenses.

Owner's Manual

Our view of Investor's behavior for Serenity Wealth Approach:

- 1. Role as an Owner:** We view our clients not just as investors, but as owners of outstanding businesses through their portfolio. This perspective underpins our commitment to long-term wealth creation.
- 2. The Power of Patience:** Successful long-term investing demands patience and the ability to navigate through periods of short-term market volatility. We encourage you to maintain a long-term perspective alongside us.
- 3. No Short-Term Guarantees:** While our philosophy is geared towards long-term wealth creation, it is important to understand that there are no guarantees of short-term performance, nor can we eliminate market fluctuations.
- 4. What to Do During Volatility:** During periods of market stress or significant price swings, we encourage you to revisit our investment philosophy and reach out to us with any concerns you may have, rather than making impulsive decisions.

Our deepest gratitude goes out to you for placing your trust in RBSA Investment Managers.

We are truly honoured by your belief in our ability, and we consider it our foremost responsibility to continually prove our competence through consistent performance and dedicated service.



Investment Case: Bharat — Entering a Sweet Spot

Past Performance:

Despite multiple domestic and global challenges, India has delivered consistent real GDP growth of ~5%, over the past 78 years since Independence.

Future Outlook:

Over the next decade, the Indian economy is expected to expand at an average real GDP growth rate of 6.5% to 7%, making it the world's fastest-growing major economy. This strong projection is a steppingstone toward the government's long-term vision, the "Viksit Bharat @ 2047" initiative, which aims to achieve developed-economy status by India's 100th year of independence through sustained growth of >7.8%. [Source](#)

Key Growth Drivers:

- **Demographic Dividend:**

With a median age below 30, India enjoys a rare combination of volume (young population) and value (rising aspirations)—in contrast to ageing developed economies where former is declining and latter is saturated.

- **Structural Reforms & Policy Tailwinds:**

Over the past decade, reforms such as GST, IBC, Fastag, UPI, and easing tax laws have significantly improved system efficiency and reduced leakages, laying a more robust foundation for long-term growth. PLI schemes are actively incentivising domestic manufacturing, and recent monetary easing has the potential to stimulate credit and consumption. That said, critical reforms remain pending—notably in judiciary, bureaucracy, land acquisition, and agriculture. These structural bottlenecks continue to act as a significant drag on India's ability to fully unlock its economic potential. Addressing these areas will be essential for sustaining higher growth and attracting long-term capital.

- **Digital Public Infrastructure (India Stack):**

A defining strength of India's economic architecture is its world-leading digital public infrastructure, popularly known as the India Stack. Comprising Aadhaar, UPI, Digi Locker, Account Aggregators, and more, this open and interoperable framework has enabled instant identity verification, frictionless payments, digital document exchange, and real-time credit assessments—at near-zero cost. This infrastructure has not only enhanced financial inclusion and improved state delivery mechanisms but also positioned India uniquely to leapfrog inefficiencies that most emerging economies struggle with. As more services—public and private—layer on this stack, its role as an economic multiplier is only expected to grow.

Investment Case: Bharat — Entering a Sweet Spot

▪ **Energy Atmanirbharta:**

India's push toward energy independence, with investments in renewables and green hydrogen, could transition us from a net energy importer to a net exporter over the next two decades—a potential game changer.

▪ **Manufacturing Push:**

- Strong initial gains in electronics under the PLI scheme (a top import item). Focus must now shift to value-added segments.
- FTAs and bilateral trade deals are crucial to integrating India into global supply chains.
- Leading conglomerates have shown mixed risk appetite; however, early moves into IP-rich areas like semiconductor design (which captures 30–50% of the value chain) are encouraging.
- With corporate balance sheets deleveraged and banks well-capitalised, it's only a matter of time before animal spirits' return.

- **Current Macro Scenario:** India is in a rare macro sweet spot with current real GDP growth around 6.5%, significant disinflation (CPI near 3.2%), and a responsive monetary policy easing to boost consumption and capex. Robust fiscal management, low current account deficit, and healthy forex reserves provide macro stability. Bank sector clean-up supports strong credit growth, while MSMEs, digital infrastructure, and trade diversification strengthen structural growth. Importantly, private sector capex is gradually reviving, completing India's investment cycle, making it a compelling opportunity for investors seeking high-growth emerging market exposure

Potential Upside Scenario:

If these trends align, India could witness:

- ✓ ~7-8% real GDP growth,
- ✓ An improved sovereign credit rating,
- ✓ A stable INR, and
- ✓ A surge in FDI/FII inflows into equity, debt, and infrastructure—possibly triggering a “liquidity super-cycle.”

And can achieve it's dream of becoming “Viksit Bharat @ 2047”

Investment Case: Bharat — Entering a Sweet Spot

USD-INR Yield Spread at Two-Decade Low: Conveying Dual Signals

- Current **USD-INR yield differential, which at < 2.4%, stands at its lowest range in ~20 years.**
- This phenomenon presents a duality: on one hand, a narrowing yield spread could signal a lower risk premium demanded for Indian assets, reflecting increased investor confidence.
- On the other hand, a lower differential might also make Indian assets seem less attractive on a pure yield basis compared to global alternatives, potentially leading to capital flight. *Interestingly, the last time this yield differential crossed below 2.4% was in 2003, which famously coincided with the Indian markets bull run of 2003-07.*
- This historical context highlights how macroeconomic signals can be interpreted in multiple ways, depending on the lens through which they are viewed. For us, this complexity underscores the paramount importance of rigorous bottom-up fundamental analysis and backing truly capable management teams, as these factors become even more critical in navigating ambiguous macroeconomic environments.

Final Thought:

While today's global environment appears highly uncertain, India is at a strategic inflection point—a "Now or Never" moment. If we execute well, this decade could redefine Bharat's place in the global economy. Think back to the early 2000s, few could have imagined India's transformation by 2025. And this time, the ambitions are even higher.

On Unpredictable Storms: Trade Wars & Geopolitical Tensions

Events like trade wars, shifting geopolitical landscapes, global financial crises, or other "black swan" occurrences are, by their very nature, neither predictable nor within our control and these would continue to occur in the future as well.

Generally, the response to such inherent uncertainties lies primarily in three areas:

- Maintaining reasonable portfolio/sectoral diversification.
- Insisting on a substantial margin of safety in the price paid for any company.
- Placing our bets on truly capable and responsible managers who possess the experience and attitude to navigate through turbulent times.

In the current environment, we are primarily leaning on a combination of the latter two – emphasizing both valuation and exceptional management. We believe that the company's management - that offers the best hope of successfully navigating these challenging waters. In the end as the saying goes, "**Nobody knows nothing!**"



Investment Thesis: Epigral Limited – From Commodity Roots to Derivative & Specialty Evolution

Investment Perspective

Epigral Limited (formerly Meghmani Finechem) offers a well-rounded opportunity for long-term investors looking to participate in India’s manufacturing and specialty chemicals upcycle. Since becoming an independent entity in 2021, Epigral has been quietly but deliberately reshaping itself—from a Chlor-Alkali commodity business to a more diversified and integrated specialty chemical platform.

Through thoughtful capital allocation, consistent execution, and evolving governance standards, the company is positioning itself for sustainable, margin-accretive growth—an essential criterion for core portfolio inclusion.

Strategic Transition Since Demerger

Following its demerger from Meghmani Organics in 2021 and subsequent rebranding in 2023, Epigral has charted a new course. While it retains the operational strengths of its past, the company has shifted focus to higher-value, less cyclical downstream products like CPVC resin, Epichlorohydrin (ECH), and Chlorotoluene derivatives. This transition reflects a broader goal: to evolve from a base chemical producer to a specialty player addressing India’s unmet needs in import-substitution and industrial chemistry.

Leading this change is Mr. Maulik Patel, a second-generation technocrat who has brought renewed energy and direction. Under his stewardship, the company has steadily expanded capacity, invested in new chemistries, and improved its operational profile—while gradually strengthening its governance and financial structure.

Multi-Year Strategic Vision in Motion

- **Shift in Revenue Mix:** In FY2019, all revenue came from Chlor-Alkali. By FY2025, 54% came from derivatives and specialty products. The target is to take this above 70% by FY2028.
- **Planned, Purposeful Capex:** ₹2,558 Cr invested over the past decade; another ₹2,000 Cr planned till FY2030.
- **Key projects include:**
 - Doubling **CPVC resin** capacity to 150 KTPA – set to become the world’s largest.
 - Scaling **ECH** to 100 KTPA – India’s largest plant, using a bio-based process.
 - Setting up **India’s first integrated Chlorotoluene chain**, catering to pharma and agrochemicals. Initial focus is on 10–15 products, with room to expand.
 - **Further capex likely** within the existing complex – details yet to be announced.

Investment Thesis: Epigral Limited – From Commodity Roots to Derivative & Specialty Evolution

- **Strategic Land Reserve:** Acquired ~100 acres of freehold land near its main Dahej site, creating long-term headroom for greenfield expansion. This opens the door for new chemistries beyond the current value chain, focused on high-growth, high-return areas.
- **Integration Advantage:** The Dahej complex enables up to 95% captive chlorine usage, backed by reliable in-house power (with a growing renewable mix). Being located in one of India’s largest chemical hubs adds further operational leverage.

Execution Track Record and Financial Outcomes

Epigral has demonstrated a strong growth trajectory and financial prudence from FY2016 to FY2025. The company's Revenue and EBIT have grown at a Compound Annual Growth Rate (CAGR) of approximately 23% and 21%, respectively. This growth has been supported by a consistent Return on Capital Employed (ROCE) of over 20%.

Metric	FY2016	FY2021	FY2025	Key Insights
Revenue	₹394 Crs	₹831 Crs	₹2,565 Crs	Shows strong growth, with a CAGR of 23% over the last 9 years and ~32% over the last 4 years. This indicates accelerating business expansion.
EBIT[@]	₹107 Crs	₹190Crs	₹593Crs	Has grown steadily, with a ~21% CAGR over 9 years and a ~33% CAGR over the last 4 years.
EBIT Margin	~27%	~23%	~23%	DuPont analysis highlights Epigral’s successful pivot toward higher-value products. Revenue/CE has steadily improved, reflecting stronger capital turnover. Despite evolving margin dynamics, the company has consistently maintained ROCE above 20%, underscoring its ability to generate sustainable profitability and deploy capital efficiently. These trends confirm that the strategic transition is yielding results and positioning Epigral for long-term value creation.
Revenue / Capital Employed	0.82x	0.68x	1.03x	
ROCE[^]	Last 10Y Median and Average: 23% & FY25: 23.7%			
Leverage[*]	1.8x	3.4x	2.0x	A leverage of 2.0x is considered comfortable, especially for a company in a growth phase that is efficiently managing its debt to fund expansion

@EBIT=Profit before Taxes + Interest Expenses | [^]ROCE = EBIT/Average Capital Employed | ^{*}Leverage = Total Assets / Shareholders Fund

Investment Thesis: Epigral Limited – From Commodity Roots to Derivative & Specialty Evolution

Epigral's Strategy: Aligned with India's Structural Themes

- Import substitution: Targeting products like CPVC and ECH where India remains dependent on imports.
- Atmanirbhar Bharat: Direct alignment through domestic capacity building
- China+1 shift: Gaining relevance as global & Indian buyers diversify sourcing.
- Exposure to 15+ downstream industries (infrastructure, water management, pharma, agrochemicals etc.) provides demand resilience.

Improving Governance and Capital Stewardship

While past investor concerns were linked to complex restructuring events pre-demerger, the company has taken measured steps toward better governance:

- RPS (Redeemable preference shares) redemption: ₹211 Cr already repaid to reduce legacy instruments and signal discipline.
- QIP of ₹333 Cr in FY25: Used primarily for debt repayment; resulting in promoter stake being diluted to ~69%, underscoring a commitment to strengthening the company's growth potential.
- 50% independent board and all five board committees chaired by independent directors.
- Upgraded to Crisil AA/Stable, reinforcing credibility.

Conclusion: We see it as a Patient Compounder with Strategic Depth. Epigral represents a thoughtful blend of execution capability, product relevance, and long-range planning. It is not a cyclical upstart but a manufacturing business evolving with discipline—anchored in capital efficiency, growth-mindset, sustainability, and alignment with India's broader industrial themes.

Its journey may still be in progress, but the foundation laid in recent years supports the case for long-term inclusion.

A Patient Investor's Guide in BFSI*:

Experience — and history — tell us that being adventurous in this sector can be costly.

** The BFSI sector is an industry term that encompasses Banking, Financial Services, and Insurance—the core pillars of the financial economy*

On Banks (Intent and Horizon)

- We view banks as a core structural holding in our portfolios — not for short-term tactical gains, but for their ability to provide resilience and stability over a 5–10+ year horizon. This, in turn, gives us greater flexibility to allocate risk more dynamically across the rest of the portfolio.

Investment Positioning: Navigating BFSI with Discipline

- BFSI sector holds the largest weight in key indices like the Nifty 50 and CNX 500. However, high index weight doesn't equate to straightforward opportunity. The sector is structurally opaque, intensely regulated, and inherently leveraged—leaving little room for error and high consequences for misjudgement.

Our Guiding Principle:

"For banks, their liabilities are assets. But their assets can become liabilities."

*For most industries, once capital expenditure is incurred, downside risk is capped while upside remains open through rising demand or replacement costs. In Banking, however, loan returns are fixed at inception, with limited upside but a potential 100% downside if assets turn bad—hence **assets can become liabilities**. Conversely, liabilities are the true assets of banks: a strong, low-cost, and diversified liability base not only funds asset creation but also drives pricing power, cross-selling opportunities, and sustainable growth. In banking, **good liabilities create good assets**.*

This note outlines our thinking across three dimensions:

1. Why we favour banks within BFSI,
2. Why our exposure is concentrated in the top 5 banks, and
3. Other key considerations.

A Patient Investor's Guide in BFSI:

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1. Why we favour banks within BFSI.

Banks are foundational to any economy delivering liquidity and facilitating financial flows across all sectors. Their most essential function is to act as matchmakers between savers and investors, enabling efficient capital allocation.

Unlike most businesses, banks use money as their raw material. This allows their growth to be structurally tied to nominal GDP, rather than being constrained by return on equity benchmarks or asset-heavy expansion models.

Advantage Banks!

- Unlike non-bank financial companies (NBFCs), banks have unique access to low-cost capital via CASA (Current Account Savings Account) deposits. This positions them as natural leaders across a range of capital & trust linked businesses—including private banking, capital markets, asset management, Insurance, and securities broking.
- Their extensive branch networks, regulatory support (notably from the RBI), and deep customer trust create both high switching costs and low incremental service delivery costs.
- Once they reach sufficient scale, banks can offer the full spectrum of financial services—from basic banking to investment and wealth management to insurance services—at the lowest marginal cost. This creates a durable, self-reinforcing competitive edge.
- In contrast, standalone NBFCs, MFIs, AMCs, Insurance, and wealth management firms often operate with higher funding costs, narrower distribution, and greater exposure to niche or subscale models. To compete effectively, they must either offer differentiated products or take on higher risks. Moreover, their growth trajectories are frequently capped by the size of the original opportunity, and expansion typically requires pivoting to new segments—introducing complexity and lowering terminal value visibility.
- Banks—especially those with strong governance and digital execution—benefit from a natural right-to-win, enabled by regulation, cost leadership, and distribution breadth. Competing against them is not just a question of capability, but of systemic advantage—where the starting line itself is tilted. In such a race, even the most skilled challenger faces a structurally uphill battle.

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2. Why our exposure is concentrated in the Top 5 banks.

Banking is, at its core, a commoditized and highly regulated industry. This environment makes it exceptionally difficult for any single institution to sustain outsized returns on equity (ROE) over long periods. In such a competitive space, the most efficient and lowest-cost producer typically prevails. **As a result, the industry naturally gravitates toward a Pareto structure**, where a few dominant banks capture a disproportionate share of the market, and the rest fight over the residual.

Take the U.S. banking system as an example: of the ~4,500 active banks controlling \$24.5 trillion in assets, the top 10 manage \$17.6 trillion—meaning just 0.2% of banks control roughly 72% of the market. This is not a distortion; it's a structural outcome. In banking, scale and efficiency beget more scale and efficiency.

We Maintain a 'Positive List' in Banks

- Investing in the Banking sector is often described as a "Loser's Game"—not because there are no winners, but because it's extremely hard to consistently pick them. That's why we focus on a positive list of select institutions we're willing to back, rather than a negative list of what to avoid.

Identifying Future Winners: A Post-Facto Process

- Unlike many other sectors where strong fundamentals can be observed and forecast with reasonable confidence, banking presents a paradox: while growth (via Net Interest Margins, Credit expansion, etc.) is visible in near real-time, the quality of that growth is only revealed in hindsight. Banks report in liquid assets, a form of currency that can be easily 'window-dressed'. Even the Reserve Bank of India—with access to detailed accounts—has at times found it challenging to pre-empt stress in the lending sector.

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Case Studies: Lessons from the Past

- In Jan 2022, a Private Bank raised “confidence capital” at <1x Price-to-Book, amounting to >15% of its market cap. This was a red flag for us—a dilutive raise at distressed valuation, possibly signalling underlying concerns not yet visible in financials.
- Often projected as the “next HDFC Bank,” This Bank’s aggressive capital-raising outpaced its ability to deliver high-quality growth. Frequent dilution without commensurate value creation points to weak capital efficiency.
- A Bank’s transition from a dominant microfinance institution (MFI) to a universal bank has faced hurdles. Despite its success in MFI space, it struggled to diversify and manage asset quality in a regulated, mainstream banking setup—a case of niche leadership failing to scale into a generalist’s role.
- The sale of a prized asset management company (AMC) by a non-banking financial company (NBFC) to a new bank was a puzzling transaction. The NBFC was also in a growth phase for its subsidiary bank, making the decision to sell a key business to “unlock value” even more paradoxical. Meanwhile, the new bank justified the purchase as a way to “diversify and cross-sell.” While both sets of shareholders were initially pleased, the deal raised fundamental questions about the long-term strategic fit for each company, as both were in their buildup phase. This transaction is a telling example of how complex corporate actions, often aimed at short-term shareholder appeasement, can conceal a lack of clear, sustainable strategy.
- In July 2025, a prominent private banker announced a ₹30,000 crores fund raise (2:1 debt-equity) at ~1x P/B, maybe less about growth and more about plugging balance sheet stress—amid accounting concerns, regulatory scrutiny, and leadership uncertainty.

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How We Look at Valuations in Banking & NBFCs

At RIML, our approach to valuing banks and NBFCs goes well beyond simply applying a static Price-to-Book (P/BV) multiple. We focus on the **sustainability of value creation**, which depends as much on future capital-raising ability as on current profitability.

- **Sustainability of Capital Raising:**

The real test for a bank or NBFC is whether it can consistently raise capital at attractive P/BV multiples. What matters is not today's ratio in isolation, but whether the institution can access capital markets tomorrow at multiples higher than, or at least equal to, the entry point of existing shareholders.

- **Unique Nature of Banking's Raw Material:**

Unlike most businesses, where growth is constrained by Return on Equity (ROE), banks deal in money as their raw material. Their growth is therefore more closely tied to the overall demand for credit in the economy. For this reason, we view a combination of **sustainable P/BV and P/E multiples** as the most reliable lens for valuation, rather than any single metric in isolation.

- **Risk of Dilution:**

For investors in growth-phase banks, the greatest risk is **dilution**—if future capital raises occur at lower P/BV multiples than the price at which they invested. In such cases, even a growing balance sheet may not translate into shareholder wealth creation.

- **Case Study – Yes Bank (2019–20):** Once trading at premium valuations, Yes Bank was forced to raise capital at less than 1x book value during its crisis. Early investors who had entered at higher multiples were severely diluted, even though the bank survived under regulatory supervision.

Key Takeaway:

The ability to raise capital at sustained multiples is as important—if not more critical—than reported profitability at any given point in time. A bank with 20% ROE but declining market confidence will struggle to grow without diluting shareholders, while one with moderate ROE but the market's trust can compound value far more effectively.

This lens explains why we prefer large, well-managed banks that consistently command premium valuations in the market. Their ability to raise capital at favorable multiples gives them a structural advantage over smaller peers, ensuring that shareholder compounding is preserved over long cycles.

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Banking Analysis Is Difficult (Decoding the Story Behind the Numbers)

- At the core of a bank's success is asset quality, but that can only be assessed after the event. Profitability can be engineered for a few quarters; it is the durability of earnings and risk controls that matter. Cultural markers like governance, credit standards, and incentive structures are more predictive but harder to quantify.
- Even among top-tier private banks—where a shared talent pool and business practices create a similar cultural fabric—mistakes do occur. However, in this group, a misstep by one often results in market share gain for another.
- This is why **we prefer to equal-weight investments across the top five banks**— (e.g., SBI Bank, HDFC Bank, ICICI Bank, Kotak Mahindra Bank, and Axis Bank)—it mitigates idiosyncratic risk while maintaining exposure to systemic winners.

This strategy allows us to benefit from the sector's winner-takes-most dynamic without trying to predict which specific bank will gain the most market share at any given time.

Structural Edge: Balance Sheet + Digital

Top 5 banks are not just bigger—they're **better-positioned structurally**. They enjoy:

- Access to the lowest-cost capital via CASA
- Regulatory endorsement and oversight
- Broad, sticky customer bases
- Digital transformation that fintech's and NBFCs struggle to match.

They are rapidly evolving into data-driven, embedded finance platforms, widening the moat against subscale challengers.

A Patient Investor's Guide in BFSI:

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3. Other Key Considerations

I. Why We Avoid Public Sector Banks (PSBs)

We typically avoid public sector banks due to cultural shortcomings and misaligned incentives between employees, management, and the promoter (the government). These factors often lead to suboptimal capital allocation and inconsistent performance.

However, State Bank of India (SBI) is a notable exception. Its vast scale, entrenched relationships with public institutions, role as the government's primary banker, and unmatched distribution depth make it structurally different from its peers. SBI is systemically significant and institutionally irreplaceable.

II. Selective Bets – The Case for CSB Bank

While we generally avoid smaller private universal banks due to the structural risks discussed earlier, CSB Bank stands out as a rare exception.

We view our investment in CSB Bank as a higher-risk, higher-reward asymmetric bet with potential for a re-rating. Our investment in CSB Bank is tactical in nature and not part of the core-portfolio. Our investment thesis can be summarized as: **"A niche bank with pan-India aspirations—CSB aims to scale from a regional leader to a mid-sized universal bank."**

Few small banks manage to scale successfully. Those that do typically exhibit a deep understanding of banking fundamentals—simple in theory but difficult in practice. Backed by Fairfax's strategic stewardship, CSB Bank is on a clear trajectory to become a pan-India, mid-sized universal bank by 2030.

With its strong base in Kerala and South India, and a leading gold loan franchise, CSB is pursuing self-sustained growth—unlike many peers dependent on external capital. Its transition from a niche player to a mid-sized bank can unlock significant value, especially under a long-term promoter who has so far demonstrated a culture-aligned, disciplined approach. Our initial entry was driven by this conviction, further supported by attractive valuations and a clearly articulated roadmap.

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3. Other Key Considerations

III. Banking in Our Portfolio: Measured Exposure, not a Growth Engine

- We don't view the banking sector as a high-growth engine in our portfolio. Rather, we see it as a vital structural component.
- We look for holdings that offer stability of returns and consistency in asset quality. While we appreciate its systemic importance, we also recognize the constraints on ROE and growth, especially when our exposure is limited to only the top 5 private banks—who will, in time, likely represent the consolidated face of the sector.
- As such, our exposure to the top 5 banks is intentionally capped at 10% of our total portfolio cost, which is markedly underweight compared to the >30% financial services weighting in the CNX 500 index. This reflects our cautious optimism—we acknowledge the banks' resilience and relevance, but we are equally mindful of the sector's structural ceilings.

IV. AI in Banking – Disruption & Advantage

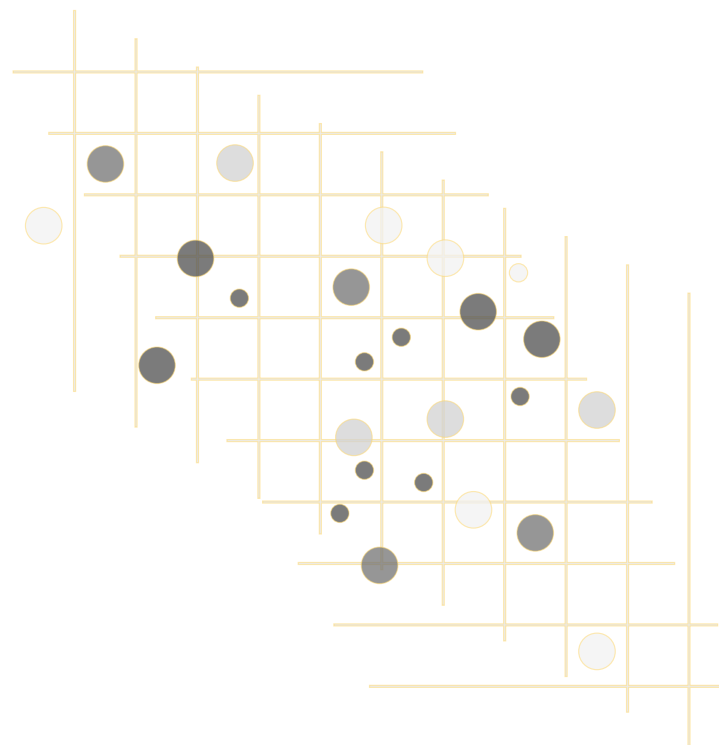
- Large banks have capital and proprietary data scale to embed AI/ML across key decision-making; fintech's offer agility and AI-native models but face scalability and regulatory constraints.
- Even partial AI integration by leading banks could widen the competitive gap.
- First wave of AI adoption likely in:
 - Credit underwriting – predictive analytics for borrower assessment.
 - Early Warning Systems – real-time detection of stress signals.
 - Personalised cross-sell – tailored offers via transaction & behaviour analysis.
 - Customer experience – AI chatbots, hyper-personalised services.
- Scale and data depth give large banks a structural edge; AI will increasingly drive efficiency, retention, and lifetime value.

A Patient Investor's Guide in BFSI:

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Conclusion: Navigating BFSI with Discipline

- The BFSI space, while foundational to India's economic architecture, is also fraught with complexity, opacity, and fierce competition.
- At RIML, we approach this space with strategic selectivity: anchoring around top-tier banks with structural advantages, identifying asymmetric bets like CSB with potential for re-rating, and avoiding structurally handicapped players. To clarify our internal methodology, we classify niche capital market entities—such as depositories, exchanges, KRA entities, and select wealth managers—separately from the broader BFSI sector. We do this because their unique and structural competitive advantages warrant a distinct analytical approach.
- Our approach is not just about finding growth but about mitigating irreversible risks in a sector where missteps can be costly and opaque. As always, we stay guided by principles—discipline, diversification, and an eye on long-term compounding over tactical noise.
- **Ultimately, our approach to BFSI embodies the core principles of our Owner's Manual: discipline, patience, and a relentless focus on long-term value over short-term noise.**



PORTFOLIO PERFORMANCE:

Performance Backdrop

We welcomed our first client on **August 28, 2023**, quickly followed by three more. In the early phase, the PMS was highly concentrated—just four companies. As client onboarding gathered pace from December 2023, we began building portfolios in line with the **Serenity Wealth philosophy**.

The first seven months (Aug 29, 2023 – Mar 31, 2024) coincided with one of the **sharpest rallies** in recent history—**BSE 500 gained ~20%**—making it challenging to deploy fresh capital at attractive valuations. Entering during such a steep climb was like trying to board a moving train; timing worked against early capital deployment.

Given our build-up phase and the fact that inception-to-date covers less than two years across three financial years, we believe the most meaningful evaluation starts from **April 1, 2024**—our first full financial year with a fully constructed portfolio.

From **April 1, 2024 to July 31, 2025** Serenity Wealth delivered **13.1% annualized** vs **10.5%** for the benchmark, despite navigating:

- A **sharp correction** in broader markets (Sep 2024-Mar 2025)
- **High-volatility events**: India Elections (Jun 2024), Unwinding of Yen carry trade (Aug 2024), and the onset of a Tariff War (Apr 2025).

Our portfolio demonstrated resilience and outperformance during most of these volatile periods. With several positions yet to fully play out, we remain confident in sustaining long-term outperformance.

PORTFOLIO PERFORMANCE:

Performance of Serenity Wealth Investment Approach (as on July 31, 2025)

(All returns are in %)

Period	Serenity Wealth Rate of Return (Post expenses)	S&P BSE 500 Total Return Index
FY 2023-2024 (Absolute Return from Aug 29, 2023 to Mar 31, 2024)	0.41%	20.21%
FY 2024-2025 (Annualized)	8.51%	5.96%
FY 2025-2026 YTD (Absolute Return from Apr 01, 2025 to Jul 31, 2025)	8.60%	7.76%

Notes & Mandatory Disclaimers:

- The Performance data presented is calculated using the **Time-Weighted Rate of Return (TWRR)** method and is reported **net of all fees and expenses**.
- Returns for periods less than one year are presented as **absolute returns**, while returns for periods of one year or more are presented as **annualized returns**.
- The chosen benchmark, S&P BSE 500 Total Return Index, is aligned with the investment approach.
- Past performance is not indicative of future returns. The performance of the portfolio manager is not guaranteed.
- Disclaimer: The performance-related information provided herein is not verified by SEBI.

Why Short-Term Volatility Is Expected

The Serenity Wealth Portfolio is inherently designed for **long-term compounding**, which naturally results in deviations from the benchmark over shorter horizons:

- i. **Long-Term Orientation** – Built with a **5+ year horizon**, not for quarterly comparisons.
- ii. **High Concentration** – 90%+ of capital in **14 core positions** (banking grouped as one).
- iii. **Execution Focus** – Investments chosen for management quality and business durability, accepting near-term delays from external factors.
- iv. **Index Representation** – Only ~55% (by cost) overlaps with CNX 500 constituents.
- v. **Benchmark Independence** – We do not “hug” the index; performance will diverge both ways.

PORTFOLIO PERFORMANCE:

Positioning Going Forward

1. We expect global economies to behave very differently from the patterns of the last 6–7 decades. Historical, “rear-view mirror” analysis is less relevant in this environment, and investors should anticipate **higher volatility** and **frequent bouts of nervousness** in markets.
2. The geopolitical and economic order appears to be shifting towards a **multi-polar, transactional world**, where regional self-interest takes precedence over global integration.
3. Against this backdrop, **India’s growth story remains intact**, driven primarily by domestic demand and structural reforms. This makes a more “inward-looking” investment approach both logical and strategically sound.
4. Currently, **30–40% (by cost)** of our portfolio companies have significant business exposure to global markets. Within this segment, the majority operate in **healthcare, chemicals, and related sectors**—industries where India holds **clear, long-term structural advantages** in cost competitiveness, manufacturing capability, and compliance standards.
5. We maintain a deliberate balance between globally linked businesses and domestically focused companies, ensuring resilience across different market scenarios. The domestic-heavy part of the portfolio is positioned to benefit from **India’s demographic dividend, expanding middle class, infrastructure build-out, and digital transformation**.
6. While volatility is inevitable in the short term, our portfolio construction—rooted in **management quality, and robust business fundamentals** —is designed to deliver **compounded wealth creation over the next 5+ years**, irrespective of short-term macro turbulence.

Closing Comments



As we conclude this first edition, we want to reiterate our central message: wealth creation is not about chasing the next trend but about staying disciplined, aligned, and focused on the long term.



India stands at a structural inflection point, and we believe portfolios built with resilience, patience, and selectivity will be well-placed to compound through the inevitable cycles ahead. At RBSA Investment Managers, we consider it both a privilege and a responsibility to steward your capital with the same care as our own.



This is the beginning of a journey. With each edition, we will share not only our investment insights but also lessons learned, sector perspectives, and reflections on markets—because communication and transparency are as important as performance itself.



We thank you for your trust, look forward to growing this partnership, and welcome your thoughts and feedback as we move ahead together.

Warm Regards,



Rajeev R. Shah
Partner & Mentor




Deval V. Shah
Partner & CEO



Rushabh G. Shah
Partner & CIO

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