SURAAG Capital

Underwriting Disruption

Dear Friends,

Hope you've all been well. It's been fun ten months since I've been heads-down on building Suraag. The most honest update is also the simplest, **there is still no substitute for doing work you genuinely enjoy, every single day.**

A quick progress update on where we are.

Where We Stand

- Suraag Capital Fund-I is now a SEBI-registered Category III AIF (Registration No. IN/AIF3/25-26/2113). The trust is registered and the operating stack is nearly in place.
- Vyāpti, our in-house research platform, has now ingested and structured well over 100,000+ documents across filings, transcripts, channel checks, disclosures, exchange data. It runs daily and feeds directly into our underwriting.
- We are targeting fund launch in July 2026. I am thankful to all our Day 1 LPs for giving Suraag Capital the privilege of stewarding their hard-earned capital.

The rest of this letter is not a forecast. It is a statement of how we intend to think, underwrite, and act as we step into remaining of this financial year.

The Tails Are Now The Story

I do not remember a period this disruptive.

In the last few months alone:

- The US ordered the **resumption of nuclear weapons testing** for the first time since 1992[1], invaded Venezuela to extract its head of state[2], and conducted coordinated strikes on Iran. The post-1991 nuclear arms-control framework has effectively expired.
- Iran has been **charging $1-2 million per ship in tolls to transit the Strait of Hormuz** since February, the first time in modern history that a coastal state has imposed a

[1] CFR, *"Will Trump's Nuclear Testing Order Prompt a Global Race?"* Oct 2025. https://www.cfr.org/expert-brief/will-trumps-nuclear-testing-order-prompt-global-race

[2] CFR, *"A Guide to Trump's Second-Term Military Strikes and Actions,"* updated Mar 2026. https://www.cfr.org/articles/guide-trumps-second-term-military-strikes-and-actions

transit fee on a natural strait used for international navigation[3]. Panama Canal auction-slot bids have spiked to $4 million per crossing as cargo reroutes around the disruption[4].

- Anthropic released **Claude Mythos**, a model capable enough at finding software vulnerabilities that the company chose not to release it broadly, instead granting limited access to a handful of cybersecurity partners under "Project Glasswing"[5]. It found, among other things, a 27-year-old zero-day in OpenBSD. This also set an uncomfortable precedent, i.e. *selective release* of AI capability to a few.
- **$20,000 kamikaze drones disabled $300 million radars**. The US fired more than 800 Patriot missiles in the first four days of the Iran war, more than Ukraine received over three years of full-scale conflict[6]. India's own Operation Sindoor, last May, was the subcontinent's first non-contact war, fought with indigenous BrahMos, Akashteer, and loitering munitions[7]. Conventional military superiority is getting redefined.
- In San Francisco, **Waymo's share of rides has reached 27%**, past Lyft, on a path to Uber[8].

None of these were on consensus lists 18 months ago. I have no reason to believe the next 18 months will produce fewer surprises.

India, As We Read It

Aggregate Indian equity valuations are not cheap. From our Vyāpti *(own internal platform)* cuts, median TTM PE:

- Top 100 companies by market cap: 30.2x versus 15-year median of 24.7x
- Companies ranked 100–250: 37.2x versus 15-year median of 22.8x
- Companies ranked 250–500: 34.9x versus 15-year median of 19.1x

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[3] AGBI, *"Why Hormuz is no Suez or Panama,"* Apr 2026. https://www.agbi.com/analysis/transport/2026/04/why-hormuz-is-no-suez-or-panama/

[4] Fortune, *"Panama Canal surge pricing: up to $4 million paid out with Strait of Hormuz still closed,"* Apr 2026. https://fortune.com/2026/04/24/panama-canal-surge-pricing-up-to-4-million-paid-out-with-strait-of-hormuz-still-closed/

[5] Anthropic, *"Project Glasswing — Claude Mythos Preview,"* Apr 2026. https://www.anthropic.com/glasswing

[6] Kyiv Post, *"Ukraine Slams Costly US Tactics: Millions Spent to Down Cheap Drones,"* Mar 2026. https://www.kyivpost.com/post/72300

[7] Carnegie Endowment, *"Military Lessons from Operation Sindoor,"* Oct 2025. https://carnegieendowment.org/research/2025/10/military-lessons-from-operation-sindoor

[8] YipitData, via Bloomberg / The Star, *"Waymo leads autonomous taxi race in the US,"* Jun 2025. https://www.thestar.com.my/tech/tech-news/2025/06/12/waymo-leads-autonomous-taxi-race-in-the-us

Foreign investors agree this is rich. **FIIs have pulled out over $20 billion from Indian equities in just the first four months of 2026, already exceeding their record full-year outflow of 2025**[9]. The selling has been absorbed almost entirely by domestic institutions through SIP-led inflows, FII ownership in India is now at a two-decade low, below DII ownership for the first time.

This combination. Expensive aggregate, foreign outflows, questions on India sentiments and low spreads[10] do not make for a comfortable market. This is precisely the kind of environment where a concentrated, bottom-up fund worth its salt should want to deploy capital.

A few macro assumptions sit underneath everything we will underwrite. These are not predictions, they are assumptions we hold every time we get to an Level 5 "why" question on a bottom up asset diligence:

- **Gold is structurally bid.** Central banks bought ~1,237 tonnes in 2025, the third consecutive year above 1,000t, with BRICS+ nations now holding 17.4% of global gold reserves (versus 11.2% in 2019)[11]. When $300 billion of a sovereign's FX reserves can be frozen by policy, countries naturally start asking what money really means.
- **The world will continue to run into bottlenecks**- and whoever controls a critical route, mineral, process, or chip will use it. The Strait of Hormuz toll, China's rare-earth tightening, US export controls on advanced semiconductors are all variations of the same theme.
- **Indigenisation and domestic capex will rise everywhere.** It is a natural response to a less trusting world. India's defence indigenisation order book, energy transition capex, and power transmission build-out are all manifestations of this[12].
- **Food and energy security will receive continuous investment.** Both have moved from "infrastructure" to "national security". Governments can postpone many things, but they cannot ignore food, power, and fuel for long.

[9] Business Standard, *"Foreign outflows rise to $20 bn from Indian shares in 2026, top 2025 peak,"* Apr 2026. https://www.business-standard.com/markets/news/foreign-outflows-rise-to-20-bn-from-indian-shares-in-2026-top-2025-peak-126042900578_1.html

[10] Source: Vyapti | Since Jan-2025 (last 16 months), India markets spread i.e. distance between 90th and 10th percentile distance from 200DMA is continuously below 50%. Last time this happened was between Dec'2010 to Aug'2012.

[11] World Gold Council, *"Gold Demand Trends Full Year 2025 — Central Banks."* https://www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-full-year-2025/central-banks

[12] War on the Rocks, *"Deep Learning From Operation Sindoor,"* Jan 2026. https://warontherocks.com/2026/01/deep-learning-from-operation-sindoor-five-takeaways-from-a-four-day-war/

Our job is not to predict every consequence of this world. It is to own a small number of Indian businesses that can live through it, benefit from parts of it, and still be bought at attractive prices. We remain bullish on owning 10–15 such businesses.

On AI, And What Changes For An Investor

A reasonable question, one a few of you have asked is whether AI changes what we are doing. The honest answer is: it changes the work, not the judgement.

Bloomberg has launched agentic ASKB[13], Anthropic has shipped Claude Cowork for Finance with FactSet[14], and respected long/short managers now describe "fleets of AI agents" that will soon let one analyst cover 200 names instead of 20[15].

This is exactly why we began **building Vyāpti in 2025.** We could not find a single place that combined structured, query-able, qualitative *and* quantitative data on Indian public markets. So we started building it ourselves.

But investing has never been about information alone. If it were, the smartest librarian would be the best investor.

Information is only the raw material. The return comes from knowing and judgement. But not all knowledge is the same kind of knowledge. AI is excellent at some layers and still weak at others-

1. *Facts*. Retrievable information.
   The market cap of Reliance. What Ind AS 116 does to a retailer's EBITDA. The cost curve of urea production. AI is already excellent here. The edge is in getting it fast and in structed manner.

2. *Interpretation*. Integrating multiple sources into one view.
   AI is uneven here. It can produce something that *looks* right in minutes; whether it is actually right depends on the person who frames the question (prompts) and checks the work (verification layer).

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[13]Bloomberg, *"Bloomberg Unveils ASKB Roadmap for Clients to Augment their Investment Process with Agentic AI,"* Apr 16, 2026. https://www.bloomberg.com/professional/insights/press-announcement/bloomberg-unveils-askb-roadmap-for-clients-to-augment-their-investment-process-with-agentic-ai/

[14]Bloomberg, *"Anthropic Links AI Agent With Tools for Investment Banking, HR,"* Feb 24, 2026. https://www.bloomberg.com/news/articles/2026-02-24/anthropic-links-ai-agent-with-tools-for-investment-banking-hr

[15]Bloomberg, *"AI Bots Could Transform Hedge Fund Research and Trading, Nettimi Says,"* Mar 3, 2026. https://www.bloomberg.com/news/articles/2026-03-03/fleet-of-ai-bots-will-supercharge-hedge-fund-power-nettimi-says

3. *Judgement.* Knowing which framework applies to which situation, and when to abandon it.
   Is this management's optimism real or performative? Is the demand decline cyclical or structural? The gap to a human judgement here is still wide. AI can assist the work. It cannot own the conclusion (yet).

4. *Instinct.* The relational, lived part.
   Sensing hesitation in a CFO's voice when asked about working capital. Knowing which ex-employee or competitor will speak honestly, and when. Knowing that a particular distributor in Surat is always six months ahead on inventory pain.

   ElevenLabs and others have made real progress on pitch and prosody in voice AI[16], but they still struggle with one of the most important parts of investing, **weighting**. Who is saying this? Why are they saying it? How much should we care?

   Those are not clean data problems. They are messy human problems. **The data is sparse, proprietary, and earned slowly. That is where investors can still have a durable edge.**

There is another limit worth stating plainly.

Foundational AI models are trained to answer. **In simple terms, the reward function is often +1 for an answer, *0 for no answer*.**

A precise lawyer or senior accountant is trained to stop when unsure. That difference matters. OpenAI itself has now published research arguing that current training procedures "reward guessing over acknowledging uncertainty."[17] Until that changes, **confident wrong answers will remain part of the system.** The investor's job is not to be impressed by confidence. It is to insist on truth.

With that frame in place, three things matter to us.

1. Information edge is much more now about pipes, not access.

   In 2010, the edge was getting the document. In 2026, almost all relevant investable information about Indian businesses is public somewhere. The edge is reading it first, structuring it properly, connecting it to everything else, and not missing the few lines that matter.

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[16] ElevenLabs, *Eleven v3 — Most Expressive AI Voice Model.* https://elevenlabs.io/v3

[17] Open AI, *Why language models hallucinate*, https://openai.com/index/why-language-models-hallucinate/?utm_source=chatgpt.com

Vyāpti runs continuously across the surface of Indian disclosures, annual reports, quarterly results, prospectuses, earnings call transcripts, channel-check notes, regulatory filings, trading disclosures, related-party transactions, board changes, QIPs, and corporate actions. Each document is parsed, normalised, and folded into a unified schema we can query in seconds.

The platform has now processed over 100,000 documents, all updated at one-day intervals. The team can ask questions about Indian businesses today that would have been impractical to answer eighteen months ago.

One small but important rule we have made for ourselves, **no summaries.** We do not consume summaries of any kind. Summaries lose the very detail that often is the alpha. We are data hungry, and we want the source material, every time.

2. Analytical edge is about applying the right lens, repeatedly, at scale.

The work that once took weeks can now take hours. But the quality still depends on the lens being applied. The machine helps us cover more ground. The investor still has to decide where to stand. Some frameworks we apply repeatedly-

- **Peer benchmarking across full value chains.** Not just direct competitors, also suppliers, customers, and adjacent players whose dynamics drive any one company's profitability.
- **Price-multiple decomposition.** Separating any company's multiple into the part driven by aggregate market re-rating, the part driven by its industry, and the residual that is genuinely about the business. Many "expensive" names are simply riding industry tailwinds the market has not yet faded, many "cheap" names are quietly anchored to industries that are de-rating.
- **Profit-pool mapping.** For every sector we go deep on, BESS, home textiles, transformers, refractories, IVF, hospitality, specialty chemicals, we map who captures what share of the value chain's profits, and how that share has shifted. This tells us where power sits in a value chain, and where it might be moving.

3. Behavioural, the hardest to build.

The good and bad thing about time is that it passes.

आगमापायिनोऽनित्यास्तांस्तितिक्षस्व भारत

āgamāpāyino 'nityās tāṁs titikṣasva bhārata

"They come and go, they are impermanent, endure them, O Bharata."

- *Bhagavad Gita, 2.14*

Behavioural edge is not downloaded. It is earned.

It comes from lived experience, consistent deliberation and feedback loop. This is the part that capital and technology cannot buy. It only grows with reps.

The harder problem today is that information abundance has made clear thinking more difficult. **The cost of generating a plausible-sounding view has fallen to near zero, which is precisely what makes the cost of holding a *correct* view significantly higher.**

The Path Ahead

We are entering the launch window with a clear sense of the game we are playing. We will buy high-quality businesses at prices we believe are attractive, we will act only when we see a real edge against the street, and we will **embrace through the volatility that comes with concentrated conviction.**

The world is genuinely chaotic. Most of it is noise, some of it is signal. Knowing which is which is our entire job. As always, thank you for being part of this with us.

बस लगे हुए हैं। (We're steadily at work)

Best Regards,

Rishabh
Founder & CEO, Suraag Capital
rishabh@suraagcapital.com | +91-9818924000