House Stock

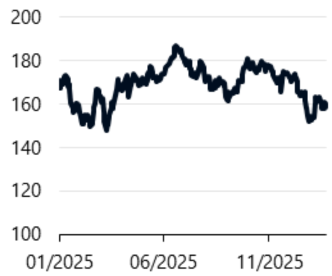
Current price 159p

Investment Funds

United Kingdom

Fund in the spotlight: IGC

IGC



Source: Bloomberg

Code	IGC
NAV	176.3p
Discount	9.8%
Mkt Cap	£105.8m

India Capital Growth Fund +

Proposing a new redemption policy

The Board of India Capital Growth Fund Limited (IGC) has unanimously proposed significant changes including a new five-yearly conditional performance-related tender offer, a new dividend policy, and the adoption of a new benchmark. An Extraordinary General Meeting (EGM) is scheduled for 25 March 2026 to approve these proposals. The Company will continue with its existing share buyback policy through which it actively makes market purchases of its own Shares where the Board considers it appropriate to do so. If the Proposals are not approved, the existing Redemption Facility will remain in place, and no dividends will be paid.

A summary of the Proposals: The introduction of a new five-yearly conditional performance-related tender offer for up to 25% of the Company's issued share capital (the "Performance Related Tender"), which shall replace the existing biennial redemption facility; the introduction of a new dividend policy which shall seek to pay to Shareholders an annual dividend ("Annual Dividend"), expected to initially equate to approximately 2% of the Company's prevailing net asset value ("NAV") with the intention of increasing over time if circumstances permit, to be paid semi-annually (the "Annual Dividend Policy"); the introduction of a dividend re-investment scheme plan ("DRIP") which will allow shareholders to elect to have their dividends automatically re-invested in shares in the Company through the secondary market; and the adoption of MSCI India SMID (the "Benchmark") as the appropriate benchmark for the Company from 1 January 2026.

Investment Advisor comments: Gaurav Narain, Investment Advisor, commented "The proposed changes allow the portfolio to be managed with greater conviction and flexibility over a longer investment horizon. Indian Small and Mid-Cap equities often require time for fundamentals to compound and value to be realised, and a five-year assessment period is better aligned with this reality. Importantly, these enhancements remove unnecessary liquidity constraints while preserving strong governance and accountability, enabling us to focus fully on identifying high-quality businesses capable of delivering attractive long-term returns for Shareholders."

Chair's view: Elisabeth Scott, Chair, commented "The Board regularly reviews the Company's strategy and shareholder proposition. We believe the introduction of a five-year performance-related tender offer, alongside an annual dividend policy, represents a balanced and forward-looking enhancement to the Company's structure. These proposals are designed to align more closely with the long-term nature of our investment strategy, provide Shareholders with greater clarity and optionality, and broaden the Company's appeal without compromising our ability to capture the significant structural growth opportunities available in Indian Small and Mid-Cap equities."

Special Resolution: The adoption of the Performance Related Tender requires amendments to the Articles by the Special Resolution which will be proposed at the EGM and will require the approval of Shareholders representing at least 75% of the votes cast at the EGM.

Research analyst

Dr Sam Banerjee
0207 601 6629
Sam.Banerjee@shorecap.co.uk

India Capital Growth

Focused on delivering long-term outperformance

Proposed changes

The Company's board of directors (the "Board") regularly reviews the Company's strategy, performance and features, including its notional benchmark and its offering to Shareholders. In so doing the Board has regard to trends in the UK investment trust market, developments in the Indian market in which the Company invests and the evolving make-up of its shareholder base.

As part of its review, the Board is now proposing a package of enhancements designed to strengthen the Company's long-term positioning and deliver improved outcomes for Shareholders. These proposals reflect the Board's proactive approach to ensuring the Company continues to evolve in line with market best practice and Shareholder needs.

As a result of this, the Board is now recommending that certain strategic changes be adopted which the Board believes are better suited to the Company and in the interests of shareholders, as follows:

- the introduction of a new five yearly conditional performance-related tender offer for up to 25% of the Company's issued share capital (the "Performance Related Tender"), which shall replace the existing biennial redemption facility;
- the introduction of a new dividend policy which shall seek to pay to Shareholders an annual dividend ("Annual Dividend"), expected to initially equate to approximately 2% of the Company's prevailing net asset value ("NAV") with the intention of increasing over time if circumstances permit, to be paid semi-annually (the "Annual Dividend Policy");
- the introduction of a dividend re-investment scheme plan ("DRIP") which will allow shareholders to elect to have their dividends automatically re-invested in shares in the Company through the secondary market; and
- the adoption of MSCI India SMID (the "Benchmark") as the appropriate benchmark for the Company from 1st January 2026.

The Company will continue with its existing share buyback policy through which it actively makes market purchases of its own Shares where the Board considers it appropriate to do so.

The Rationale

The Directors believe that the Proposals will optimise returns for Shareholders, broaden the Company's appeal and meet the interests of Shareholders as a whole as a result of the following:

- the Investment Manager will be able to invest the Portfolio without being constrained by the need to maintain sufficient liquidity to provide for the next biennial redemption facility in 2027 and so to take full advantage of the good prospects for the Indian market;
- increasing the attraction of the Company to a wider pool of investors, including those seeking a regular income;
- with the continuing prudent use of the Company's discount control policy, seeking to manage any discount at which the Shares may trade compared to NAV per Share; and on occasions when the Shares are trading at a premium to NAV per Share, to issue Shares at a premium to NAV per Share after costs; and

- enabling Shareholders to realise a proportion of their investment for cash at close to NAV should the Company underperform the Benchmark over a five-year period.

Together, the Performance Related Tender and the Annual Dividend reinforce the Board's commitment to delivering shareholder value.

The adoption of the Performance Related Tender requires amendments to the Articles by the Special Resolution which will be proposed at the Extraordinary General Meeting("EGM") and will require the approval of Shareholders representing at least 75% of the votes cast at the EGM. Although not required by the Listing Rules, as a matter of good corporate governance and best practice, the Board is also seeking Shareholder approval for the proposed adoption of the Annual Dividend Policy. The Company's investment policy, investment objective, and investment strategy will not change as a result of the Annual Dividend Policy. Adoption of the Annual Dividend Policy is included in the Special Resolution, which will require the approval of Shareholders representing at least 75% of the votes cast at the EGM.

The Performance Related Tender criteria

The proposed five yearly conditional performance-related tender offer for up to 25% of the Company's issued share capital (excluding Shares held in treasury) shall be measured by reference to the change in the Benchmark, expressed as a percentage, over the five year period commencing on 1 January 2026 with the first date that the tender offer could be offered would be around the time of the Company's annual general meeting in 2031, when the Company's audited NAV Total Return per Share (before the impact of Indian Capital Gains Taxation) over the five Financial Years ending 31 December 2030 would be available.

In the event that the change in Company's NAV Total Return per Share (before the impact of Indian Capital Gains Taxation), expressed as a percentage, over the previous five financial years is less than the change in the Benchmark, expressed as a percentage, the Performance Related Tender will be triggered. It is expected that the Performance Related Tender, if triggered, would be offered to Shareholders at close to the prevailing NAV per Share less costs.

The Company's investment strategy requires a long-term, bottom-up investment approach which is built on capturing the structural growth of high quality Indian Small-Cap and Mid-Cap companies. Therefore, the Board believes that the Performance Related Tender is better suited to the Company's strategy and its long-term investment philosophy than the current Redemption Facility. The Company's investments typically require several years to mature, and a five-year holding period more realistically reflects the time needed for company fundamentals to compound and valuation gaps to close. Moving from a two-year redemption cycle to a five-year cycle therefore strengthens alignment between the Company's investment horizon and its liquidity framework, enabling the portfolio to be managed with greater conviction, lower trading friction, and reduced pressure to maintain excess liquidity.

The introduction of the Performance Related Tender in place of the Redemption Facility requires amendments to the Company's Articles. Accordingly, the Special Resolution to be proposed at the EGM will remove the Redemption Facility in its entirety by deleting Existing Article 132 (together with cross references to Existing Article 132 and redemption rights) and inserting New Article 132. New Article 132 will require the Board, if and only if the percentage change in the Company's NAV Total Return per Share over the previous five financial years of the Company is less than the percentage change in the Benchmark over that period, to propose a resolution at the Company's annual general meeting in 2031 and every five years thereafter to approve a tender offer for up to 25% of the Company's issued share capital (excluding Shares held in treasury) at close to the prevailing NAV per Share less costs.

The New Benchmark

In line with the Company's investment policy, strategy and objective, the Company's investment portfolio naturally maintains a high allocation to Small-Cap and Mid-Cap companies, reflected in its composition by market capitalisation profile as at 30 January 2026: 2.3% Cash, 26.6% Mid-Cap, and 71.1% Small-Cap. Due to this composition, the Board used the BSE Mid-Cap Index, as the best available index at the time of its adoption, which incorporates no small-cap companies, insufficiently representative of the portfolio's strategy and underlying exposures.

Accordingly, the Board believes it is now appropriate to adopt the MSCI India SMID Index that better aligns with the portfolio's small and midcap orientation and to use that index as a formal performance-measuring Benchmark. The MSCI India SMID Index comprises 571 high quality constituents and provides broader, more balanced exposure (including more than 80% of the underlying companies in the Company's portfolio) and a more even market cap composition, consisting of 7.3% Large-Cap, 48.2% Mid-Cap, and 44.5% Small-Cap as at 30 January 2026 and to use that Index as a formal performance-measuring Benchmark.

MSCI indices are widely recognised globally and commonly used by investors providing a comprehensive, transparent, rules-based methodology for index construction, giving confidence in the selection, weighting, and rebalancing processes.

The adoption of the MSCI India SMID as a formal benchmark for the Company's NAV performance is effective from 1 January 2026, the beginning of the Company's current Financial Year and is not conditional on the passing of the Special Resolution at the EGM.

Annual Dividend and Dividend Reinvestment Plan

The Board proposes to change its current policy not to pay dividends to an Annual Dividend Policy, whereby the Company would pay interim dividends per Share commencing in October 2026 and then semi-annually from the 2026 Financial Year. Dividends will be paid out of capital and/or from any net income after payment of operating expenses. The Board expects to pay an interim dividend equating to approximately 2% of prevailing NAV per Share in the current financial year ending 31 December 2026 with the intention of increasing the dividend over time if circumstances permit. The two interim dividends are expected to be declared, respectively in September and April.

If Shareholders pass the Special Resolution at the EGM, the initial dividend payment will be declared on publication of the Company's Interim Results for the six months ending 30 June 2026 and will be payable in October 2026. At the same time, the Company will introduce a DRIP scheme which will allow Shareholders to elect to have their dividends automatically re-invested in shares in the Company through the secondary market. Further details of the DRIP scheme will be provided to Shareholders in due course.

If the Special Resolution is not passed, there will be no change to the Company's current dividend policy, which is not to pay dividends.

Consequences if the Proposals are not approved

If the Proposals are not approved, the existing Redemption Facility will remain in place, and no dividends will be paid. The Redemption Facility has an adverse impact on the ability of the Board and the Investment Manager to grow the Company and thus to bring down costs for all Shareholders.

In any event, given the volatile market, currency environment and the current geo-political uncertainties, the Board considers that the realisation or rebalancing of the Company's portfolio of investments ahead of the 2027 Redemption Facility is likely to result in sub-optimal returns for Shareholders and is not in the best interests of the Company or of Shareholders as a whole.

Directors' recommendation

The Directors consider that the Proposals and the Special Resolution to be proposed at the EGM are in the best interests of the Company and Shareholders as a whole. The Directors unanimously recommend that Shareholders vote in favour of the Special Resolution at the EGM as the Directors intend to do in respect of their own beneficial and non-beneficial holdings of Shares, amounting in aggregate to 157,700 Shares, representing approximately 0.24% of the issued share capital of the Company (excluding Shares held in treasury) as at the Latest Practicable Date.

CONFLICTS OF INTEREST

Shore Capital maintains a Conflicts Policy which explains how conflicts are managed. A summary of the Conflicts Policy is available at www.shorecap.co.uk. For details of potentially relevant conflicts of interest (if any) on a specific stock whether disclosed in this research report or not, please refer to the following table or contact Shore Capital's compliance department on 020 7408 4050:

Company	Disclosures	Date	Recommendation
India Capital Growth Fund +	1, 3, 4, 5, 9, 11, 13	07-Apr-19	House Stock

1 Shore Capital acts as Broker to the company.
2 Shore Capital acts as Nomad to the company.
3 Shore Capital makes a market in the company's shares.
4 Shore Capital or an affiliated company has in the past 12 months acted as corporate finance adviser or has provided investment banking services to the company for which it either pays or receives compensation.
5 Shore Capital or an affiliated company has in the past 12 months led or co-managed a publicly disclosed offer of securities of the company.
6 The company held 5% or more of the issued share capital of Shore Capital Group Limited at the end of the last calendar month.
7 Shore Capital and/or the analyst and/or the sales person who produced the recommendation owns a 0.5% or more net long position in the company's shares. Please contact Shore Capital's compliance department for further information.
8 Shore Capital and/or the analyst and/or the sales person who produced the recommendation owns a 0.5% or more net short position in the company's shares. Please contact Shore Capital's compliance department for further information.
9 Shore Capital is party to an agreement with the company relating to the production of research although the timing and content of the research is exclusively the preserve of the relevant analyst(s).
10 The contributing analyst(s) has received or purchased shares of the company prior to a public offering of those shares. Details of the price and date of the acquisition of the shares is available by contacting Shore Capital's compliance department.
11 The Sales/Research Analyst responsible for this investment recommendation may have his/her remuneration linked to investment banking transactions performed by Shore Capital.
12 A director, officer or employee of Shore Capital or a person closely associated to him/her, is an officer, director, or serves as an adviser or board member of the issuer. Where this person is the person responsible for this investment recommendation or a person closely associated with them, this will be indicated.
13 Shore Capital is engaged to provide Corporate Access services to the issuer
14 Any other specific disclosures

^ Independent Research:
This is independent research. The analyst who has prepared this research is not aware of Shore Capital Stockbrokers Limited and/or another member of the Shore Capital group ("Shore Capital") having a relationship with the company covered in this research report and/or a conflict of interest which is likely to impair the objectivity of the research and this report should accordingly be viewed as independent.
+ Non-Independent Marketing Communication:
This is a non-independent marketing communication. The analyst who has prepared this report is aware that Shore Capital Stockbrokers Limited and/or another member of Shore Capital has a relationship with the company covered in this report and/or a conflict of interest which may impair the objectivity of the research. Accordingly, the report has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on the dealing ahead of the dissemination of investment research.

REGULATORY DISCLOSURES

It is the policy of Shore Capital Stockbrokers Limited not to make recommendations on companies for which it acts in an advisory capacity. Where this is the case, research reports refer to "House Stock". The reference to "Price" on the front cover of formal research reports is to the current price as at the date of the research report. The date and time when the production of the report is completed is the date and time stated on the relevant report.
Recommendation History:
For a list of all research recommendations of Shore Capital analysts and salespersons disseminated in the previous 12 months, please contact compliance@shorecap.co.uk or your usual Shore Capital contact.
Stock Recommendation Definitions:
Buy 10%+ absolute performance within 3-months or otherwise as specified.
Hold +/- 10% absolute performance on a 3-month basis or otherwise as specified.
Sell -10% absolute performance on a 3-month basis or otherwise as specified.
Valuation, Methodology and Assumptions:
For a summary of the basis of valuation, methodology and/or underlying assumptions used to evaluate the company covered in this research report, please click on the following link https://www.shorecap.co.uk/wp-content/uploads/2020/05/f021896536.pdf or contact your usual analyst or sales person at Shore Capital. For information on changes in valuation, methodology or underlying assumptions related to this research report (if any) please contact your usual analyst or salesperson at Shore Capital.
Proprietary Models:
Shore Capital analysts typically utilise proprietary models to produce research reports. Information on the specific proprietary models used for the company or companies covered in this research report is available by contacting your usual analyst or salesperson at Shore Capital.
Research Distribution
Shore Capital Stockbrokers covers 104 "non-house" stocks. There is a Buy recommendation on 65 (63%) stocks, a Hold recommendation on 34 (33%) stocks, a Sell recommendation on 2 (2%) stocks. Shore Capital Stockbrokers covers 173 stocks (non-house and house). The breakdown above only applies to 'non-house' stocks.
Lead Analyst:
The lead analyst with respect to each research item is the first and most prominent name. Please note that more than one analyst may work on a specific research item.
Planned Frequency of Updates:
Recommendations in Shore Capital research reports are kept under constant review. As such, there is no formal timetable for the review of such recommendations.

DISCLAIMER

The issue of this report is not necessarily indicative of long-term coverage of the stock. Hence, updates may or may not be issued in the future. This report is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities, or related financial instruments. It does not constitute a personal recommendation as defined by the Financial Conduct Authority ("FCA") or take into account the particular investment objectives, financial situations or needs of individual investors. The recipient of this information must make their own independent decisions regarding any securities, or financial instruments mentioned in this report.

The information above is obtained from sources considered reliable. However, the accuracy thereof cannot be guaranteed by us. Shore Capital or any of its associated companies (or its or their employees) may from time to time hold positions in the above equities as principal and may also perform corporate advisory services for these companies. Share prices can go down as well as up and past performance is not necessarily a guide to the future. Some investments may require you to pay more money than the cost of the investment. The value of, or income from, any investments referred to in this report may fluctuate and/or be affected by changes in exchange rates. Levels and bases of taxation may change.

This document may not be reproduced or further distributed to any person (including the media) or published in whole or in part, for any purpose. The material in this document is not intended for distribution or use outside the European Economic Area or Switzerland (with the exception of the United States) and may not be published, distributed or transmitted to persons in Japan, Canada or Australia. This material is not directed at you if Shore Capital is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you.

In the United Kingdom this document is being distributed only to, and is directed only at, persons who are (i) investment professionals falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "Order") or (ii) high net worth entities falling within articles 49(2)(a) to (d) of the Order or (iii) any other persons to whom it may be lawfully communicated (all such persons being referred to as "relevant persons"). This document is addressed only to, and directed only at, relevant persons and qualified investors within the meaning of the Prospectus Directive (2003/71/EC, as amended) and must not be acted on or relied on (i) in the United Kingdom, by persons who are not both relevant persons and qualified investors or (ii) in any Member State of the EEA other than the United Kingdom, by persons who are not qualified investors. Any investment or investment activity to which this communication relates is available only to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire any securities referred to in this document will be engaged in only with, in the United Kingdom, relevant persons who are also qualified investors, and in any Member State of the EEA other than the United Kingdom, qualified investors.

The views expressed in this document accurately reflect the research analyst's personal views about any and all of the subject securities and the company on the date of this document. Any opinion or estimate expressed in this document is subject to change without notice. Shore Capital may act upon or use the information, or a conclusion contained in this document before it is distributed to other persons. None of Shore Capital Stockbrokers Limited or any member of Shore Capital, or any of its or their directors, officers, employees, or agents accept any responsibility or liability whatsoever for any loss however arising from any use of this document or its contents or otherwise arising in connection therewith. By accepting this document, you agree to be bound by the foregoing limitations.

The following applies if the company is quoted on "AIM" – defined as the AIM Market of the London Stock Exchange. AIM is a market designed primarily for emerging or smaller companies and the rules of this market are less demanding than those of the Official List of the UK Listing Authority consequently AIM investments may not be suitable for some investors. Liquidity may be lower and hence some investments may be harder to realise.

DISTRIBUTION IN THE UNITED STATES

This report is intended only for Major U S Institutional Investors, as defined by Rule 15a-6 under the U.S. Securities Exchange Act of 1934. It is not available for any other person or entity in the United States. Orders from Major U S Institutional Investors for securities covered in this this report may not be placed with Shore Capital Stockbrokers Limited (Shore Capital) and may only be placed with our correspondent, Auerbach Grayson & Company at 212-557-4444.

Shore Capital Stockbrokers Limited (Shore Capital) is not registered as a broker-dealer with the U S Securities and Exchange Commission, and it and its analysts are not subject to SEC rules on securities analysts' certification as to the currency of their views reflected in the research report. Shore Capital Stockbrokers Limited (Shore Capital) is not a member of the Financial Industry Regulatory Authority. It and its securities analysts are not subject to FINRA's rules on Communications with the Public and Research Analysts and Research Reports and the attendant requirements for fairness, balance, and disclosure of potential conflicts of interest.

This research report is only being offered to Major U S Institutional Investors and is not available to, and should not be used by, any U S person or entity that is not a Major U S Institutional Investor. Shore Capital Stockbrokers Limited (Shore Capital) cannot and will not accept orders for the securities covered in this research report placed by any person or entity in the United States. Orders should be placed with our correspondent, Auerbach Grayson & Company at 212-557-4444. Auerbach Grayson and Company LLC is a broker-dealer registered with the SEC and a member of FINRA and the Securities Investor Protection Corporation.

DISTRIBUTION IN CANADA

Shore Capital avails itself of the international dealer exemption from registration as a dealer in Canada in the provinces of Ontario and Quebec. Under Canadian securities regulations, Shore Capital is limited to providing research and brokerage services to permitted clients in those provinces. By accepting to receive research reports or brokerage services from Shore Capital, you represent that you qualify as a permitted client under Canadian securities regulations.
If you would like to amend your communication preferences please contact your Shore Capital representative, or alternatively, should you wish to unsubscribe from all email communications you can do so by emailing unsubscribe@shorecap.co.uk

Shore Capital Stockbrokers Ltd. is authorised and regulated by the Financial Conduct Authority. Member of the London Stock Exchange.
Registered in England and Wales at Cassini House, 57 St James's St, London, SW1A 1LD. Registered No. 01850105.
Member of the Shore Capital group

Contacts

Simon Fine
Chief Executive Officer
+44 (0)20 7468 7950
simon.fine@shorecap.co.uk

Dr Clive Black
Vice Chairman
+44 (0)151 600 3701
clive.black@shorecap.co.uk

Malachy McEntyre
Head of Corporate Broking
+44 (0)151 600 3710
malachy.mcentyre@shorecap.co.uk

Nick Conyerd
Head of Market Making
+44 (0)20 7647 8135
nick.conyerd@shorecap.co.uk

John Ritchie
Head of Sales
+44 (0)151 600 3705
john.ritchie@shorecap.co.uk

David Simmons
Head of Sales Trading
+44 (0)20 7647 8126
david.simmons@shorecap.co.uk

Jane Horder
Head of Investor Relations
+44 (0)151 600 3715
jane.horder@shorecap.co.uk

Daniel Thornton
Head of Product
+44 (0)20 7601 6130
daniel.thornton@shorecap.co.uk

London Office

Cassini House
57 St James's St
London SW1A 1LD
T: +44 (0)20 7408 4080

Liverpool Office

The Plaza Building 8th Floor
Old Hall Street
Liverpool L3 9QJ
T: +44 (0)151 600 3700