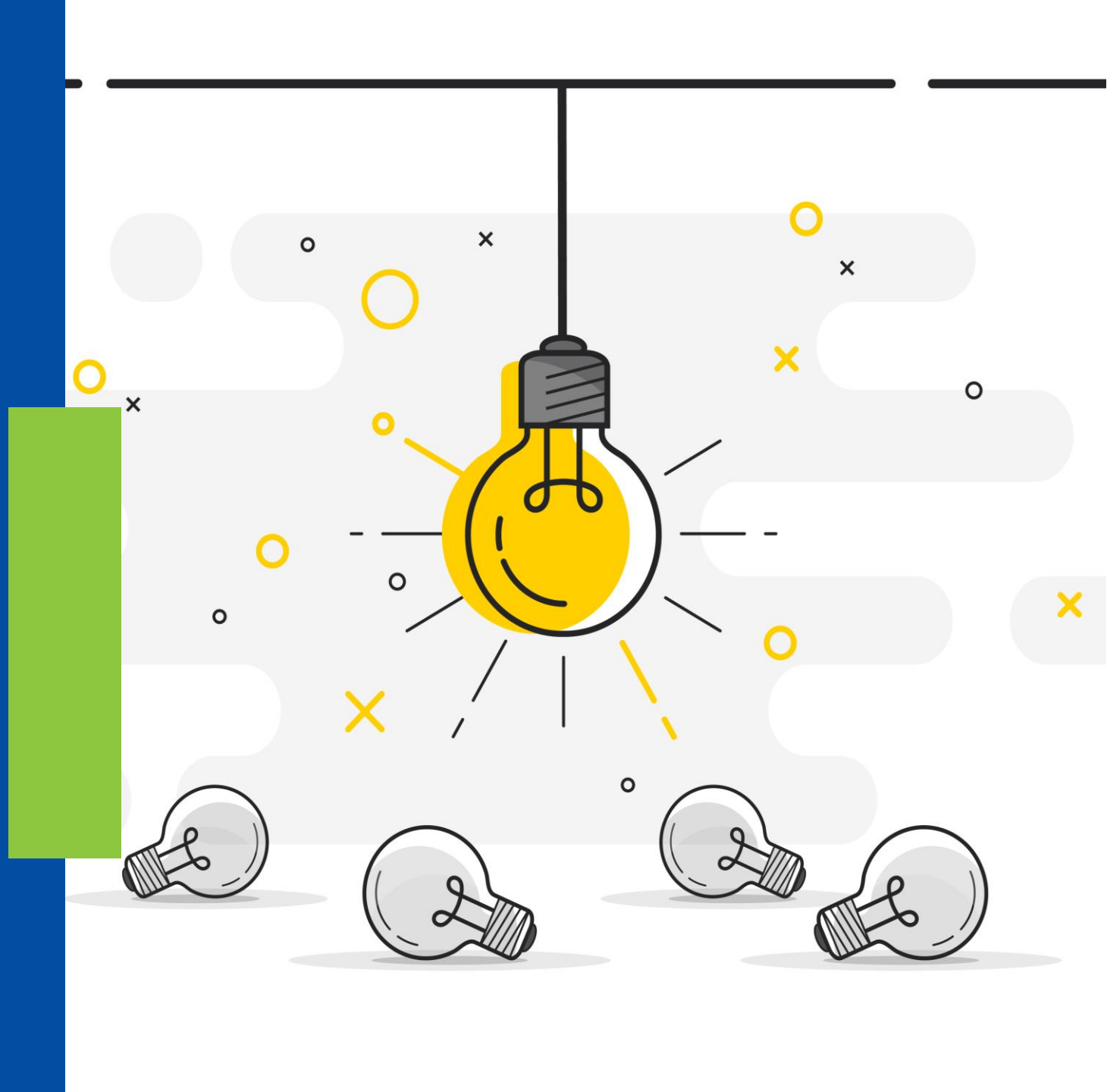




## Equity Market & Fund Insights

May 2022



# Global Equity Markets at glance



				Valuation (FY23)				Performance (%)				
	Countries	Exchange Name	Index Level	P/E (x)	P/B (x)	Divd Yield (%)	ROE (%)	1Month	3Month	6Month	1 Year	YTD
Developed Market	USA	S&P500	4,288	18.8	4.0	1.5	21.1	(7.4)	(3.3)	(6.9)	1.8	(10.0)
	Europe	STOXX 600	450	13.4	1.8	3.3	13.5	(2.5)	(3.2)	(5.3)	2.7	(7.7)
	UK	FTSE 100	7,522	10.6	1.7	4.1	15.7	(0.2)	0.8	3.9	8.1	1.9
	Germany	DAX	14,116	12.2	1.6	3.4	12.7	(4.8)	(7.9)	(10.0)	(6.9)	(11.1)
	France	CAC 40	6,556	12.2	1.6	3.2	13.4	(3.5)	(5.9)	(4.0)	4.0	(8.3)
	Japan	Topix	1,900	12.3	1.2	2.5	9.4	(4.6)	1.2	(5.1)	(0.5)	(4.7)
	Australia	ASX 200	7,435	15.6	2.2	4.3	14.2	(0.4)	6.4	1.5	5.0	(0.1)
	Singapore	STI Index	3,357	13.3	1.1	4.1	8.3	(2.2)	3.4	5.0	4.2	7.5
	Hong Kong	Hang Seng	21,089	10.4	1.1	3.4	10.3	(3.8)	(10.4)	(16.9)	(28.0)	(9.9)
Emerging Market	India	Sensex	57,061	20.8	3.1	1.4	14.8	(1.5)	(0.2)	(3.8)	14.7	(2.0)
	China	Shanghai composite	3,047	10.0	1.2	3.3	12.3	(4.9)	(9.4)	(14.1)	(12.3)	(16.3)
	Brazil	Bovespa	1,09,919	6.8	1.5	8.1	21.5	(8.4)	(1.8)	6.2	(8.5)	4.9
	Russia	MOEX Russia	2,424	3.0	0.6	18.2	19.8	0.7	(30.5)	(41.6)	(32.1)	(36.0)
	South Africa	Johannesburg All share	72,920	9.6	1.8	4.6	18.9	(2.5)	(0.7)	8.1	8.2	(1.1)
	Korea	KOSPI	2,695	10.8	1.0	1.9	9.7	(1.7)	1.2	(9.3)	(15.1)	(9.5)
	Mexico	IPC	52,614	13.5	2.0	3.5	14.9	(6.2)	3.9	2.5	7.6	(1.2)
	Phillipines	PCOMP	6,731	16.1	1.6	1.9	9.9	(5.4)	(7.2)	(4.6)	3.8	(5.5)
	Turkey	XU100	2,417	4.7	1.0	4.6	21.2	9.5	21.9	58.8	72.4	30.1

Source: Bloomberg estimates. Data as on April 29, 2022. Performance in home currency.

# Indian Equity Markets at glance

## Marketcap, theme and factor performance – Trailing period

	Segment	10 Years	5 Years	3 Years	1 Year	6 Months	3 Months	1 Month
Market-cap	Large-cap (NIFTY 50)	14.02	14.34	14.59	16.14	-2.90	0.22	-1.25
	Large-cap (NIFTY Next 50)	16.82	11.23	16.17	23.12	1.85	5.17	4.33
	Multicap (NIFTY 500)	14.87	13.76	16.35	19.25	-1.62	0.66	0.18
	Midcap (Nifty Midcap 150)	18.71	14.39	21.96	23.33	-1.22	-0.08	1.91
	Small-cap (Nifty Smallcap 250)	16.23	10.68	21.96	31.34	1.59	-2.14	1.97
Themes/Sector	Auto (NIFTY AUTO)	10.89	2.77	10.71	14.65	-1.71	-3.41	6.35
	Commodities (NIFTY COMMODITIES)	12.46	13.96	21.31	34.39	9.58	9.15	2.74
	Consumption (NIFTY CONSUMPTION )	15.24	12.87	14.92	21.24	1.03	4.06	4.97
	Energy (NIFTY ENERGY)	16.89	21.41	23.66	63.14	25.79	17.09	10.45
	Financials (Nifty Financial Services)	15.92	13.53	10.44	4.24	-11.40	-5.81	-1.18
	Infrastructure (NIFTY INFRA)	9.80	11.44	19.75	28.09	2.64	3.53	3.00
	Information Technology (NIFTY IT)	20.43	28.53	26.67	24.46	-7.67	-6.38	-12.33
	Realty (NIFTY REALTY – TRI)	7.74	12.57	19.30	42.51	-11.02	-4.71	-2.56
Factors	Healthcare (S&P BSE Healthcare)	14.36	10.87	19.73	4.80	-2.54	2.33	-0.80
	Beta (Nifty High Beta 50)	4.21	1.76	9.04	17.29	-3.98	-0.77	-0.17
	Value (Nifty 50 Value 20 Index)	16.65	19.68	18.10	20.06	1.10	-0.17	-4.03
	Quality (Nifty 100 Quality 30 Index)	14.34	12.74	12.74	15.30	-3.02	0.49	0.15
	Momentum/Alpha (Nifty Alpha 50)	25.06	25.67	41.69	40.04	9.74	3.23	-1.01

Source: ACE MF. Performance upto 1 yr is absolute above 1 yr is CAGR. Data as on April 29, 2022

# Indian Equity Markets at glance

## Marketcap, theme and factor performance - YOY

	Segment	2022YTD	2021	2020	2019	2018	2017
Market-cap	Large-cap (NIFTY 50)	-1.21	25.26	16.01	12.98	5.59	30.27
	Large-cap (NIFTY Next 50)	1.23	29.84	15.97	1.86	-7.68	47.73
	Multicap (NIFTY 500)	-1.15	30.95	17.70	8.64	-1.55	37.65
	Midcap (Nifty Midcap 150)	-2.68	46.48	25.12	0.58	-12.49	55.73
	Small-cap (Nifty Smallcap 250)	-3.28	61.48	25.55	-7.59	-26.54	58.47
Themes/Sector	Auto (NIFTY AUTO)	1.51	19.32	13.58	-8.84	-21.57	32.57
	Commodities (NIFTY COMMODITIES)	12.09	49.18	12.47	2.30	-12.99	38.32
	Consumption (NIFTY CONSUMPTION )	0.87	20.11	20.59	1.00	-0.39	46.70
	Energy (NIFTY ENERGY)	27.67	37.94	8.98	13.21	3.56	41.94
	Financials (Nifty Financial Services)	-3.94	14.73	4.62	25.13	12.40	42.67
	Infrastructure (NIFTY INFRA)	4.12	36.90	14.06	3.99	-10.98	36.06
	Information Technology (NIFTY IT)	-17.99	60.99	57.38	10.91	27.20	14.53
	Realty (NIFTY REALTY – TRI)	-8.35	53.43	5.91	26.44	-32.83	110.68
	Healthcare (S&P BSE Healthcare)	-6.93	20.57	62.19	-3.06	-5.45	1.10
Factors	Beta (Nifty High Beta 50)	1.96	35.02	9.94	-18.07	-27.37	60.96
	Value (Nifty 50 Value 20 Index)	-3.86	36.30	27.92	8.56	11.56	31.84
	Quality (Nifty 100 Quality 30 Index)	-5.15	21.70	22.55	5.64	5.77	23.45
	Momentum/Alpha (Nifty Alpha 50)	-0.54	73.09	51.33	7.89	-13.39	69.75

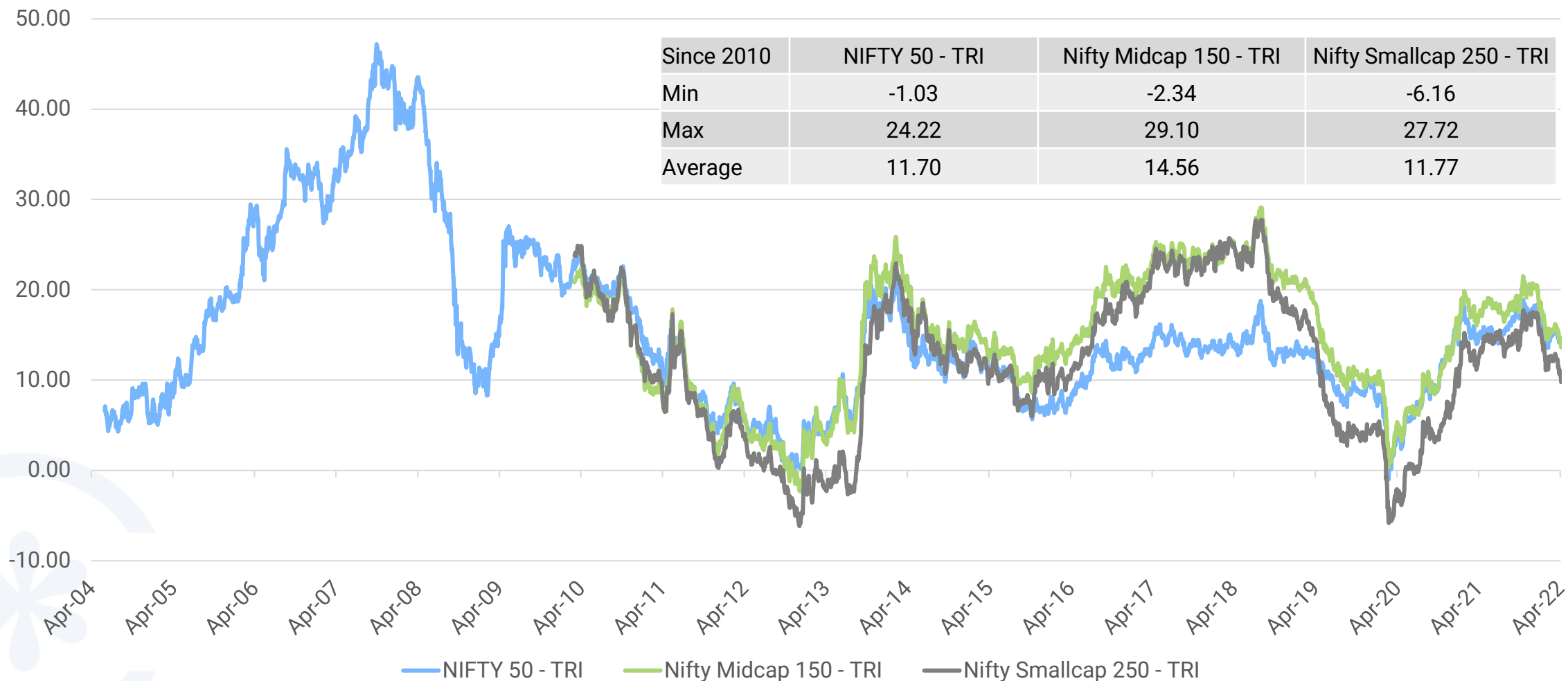
# Large, Mid and Smallcap performance

10 out of 15 years Mid and Small caps have outperformed Largecaps. FY22 was no different.

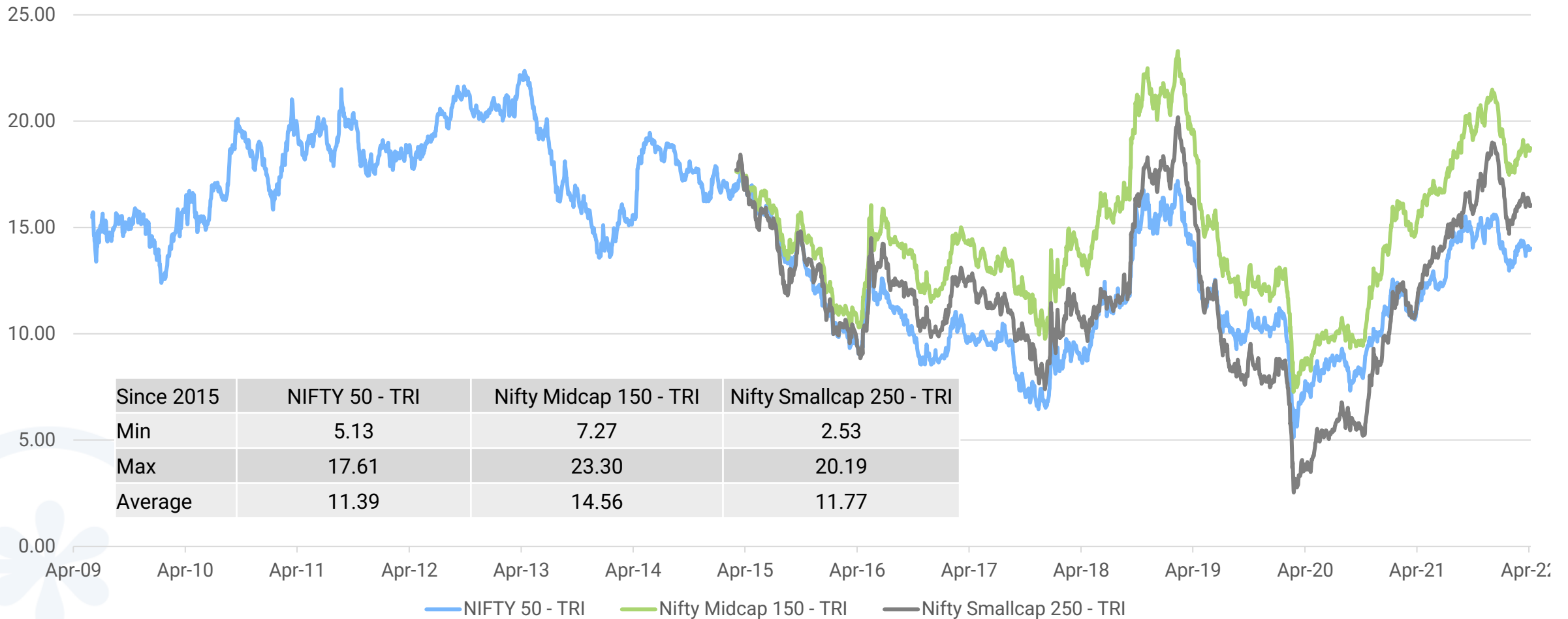


Period	Largecap	Midcap	Smallcap
FY2008	25.12	21.47	31.33
FY2009	-35.44	-48.52	-54.90
FY2010	75.29	135.77	141.42
FY2011	12.36	4.74	0.91
FY2012	-7.45	-4.48	-8.43
FY2013	10.83	7.40	-2.78
FY2014	19.47	18.01	22.90
FY2015	28.17	59.73	62.76
FY2016	-7.82	-1.67	-5.95
FY2017	20.16	37.21	40.56
FY2018	12.68	18.75	15.32
FY2019	16.45	-0.65	-12.44
FY2020	-25.02	-30.09	-40.22
FY2021	72.54	101.57	118.68
FY2022	20.26	25.05	37.02

# 5 year rolling returns

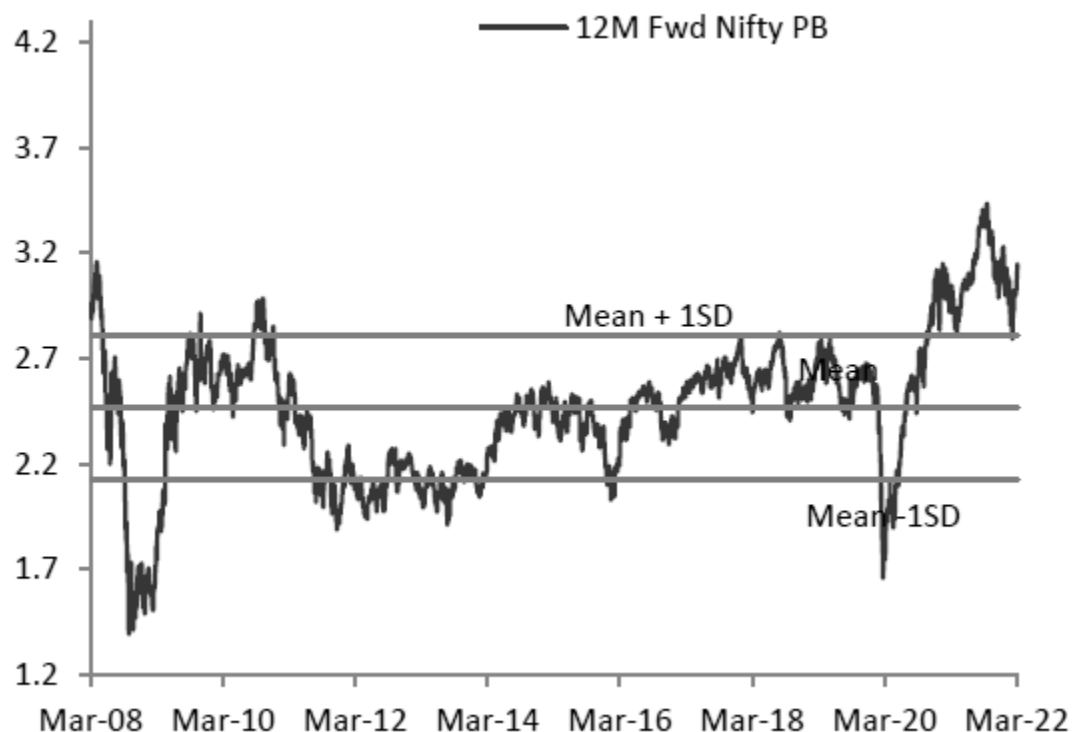
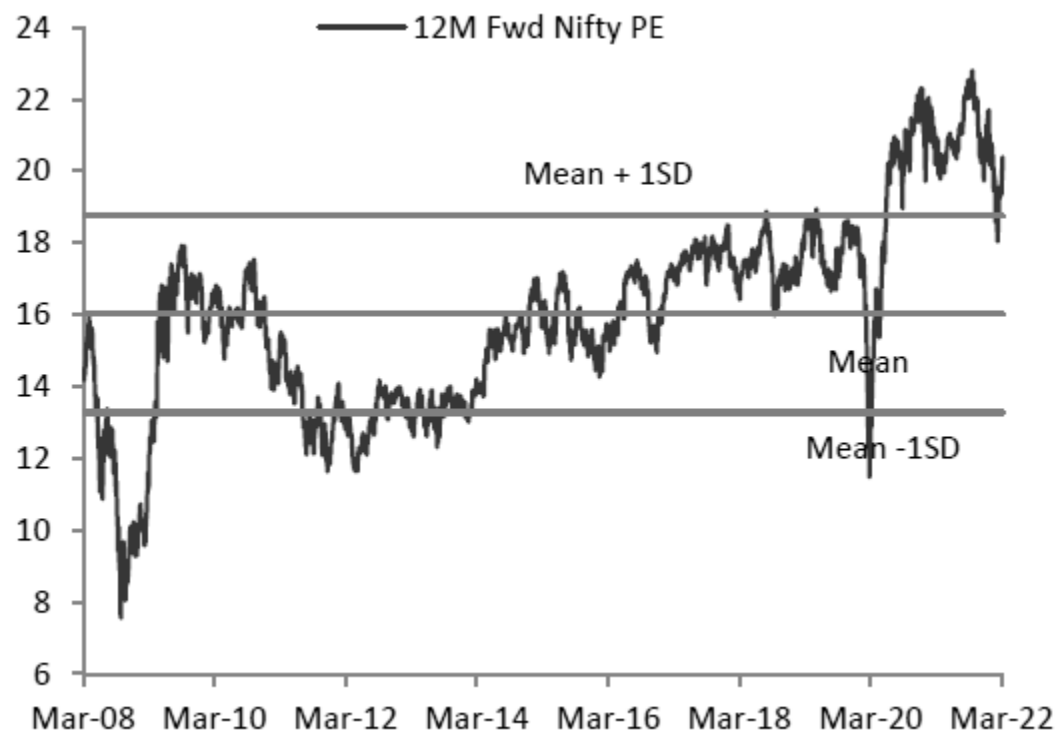


# 10 year rolling returns



# Valuations - Largecap

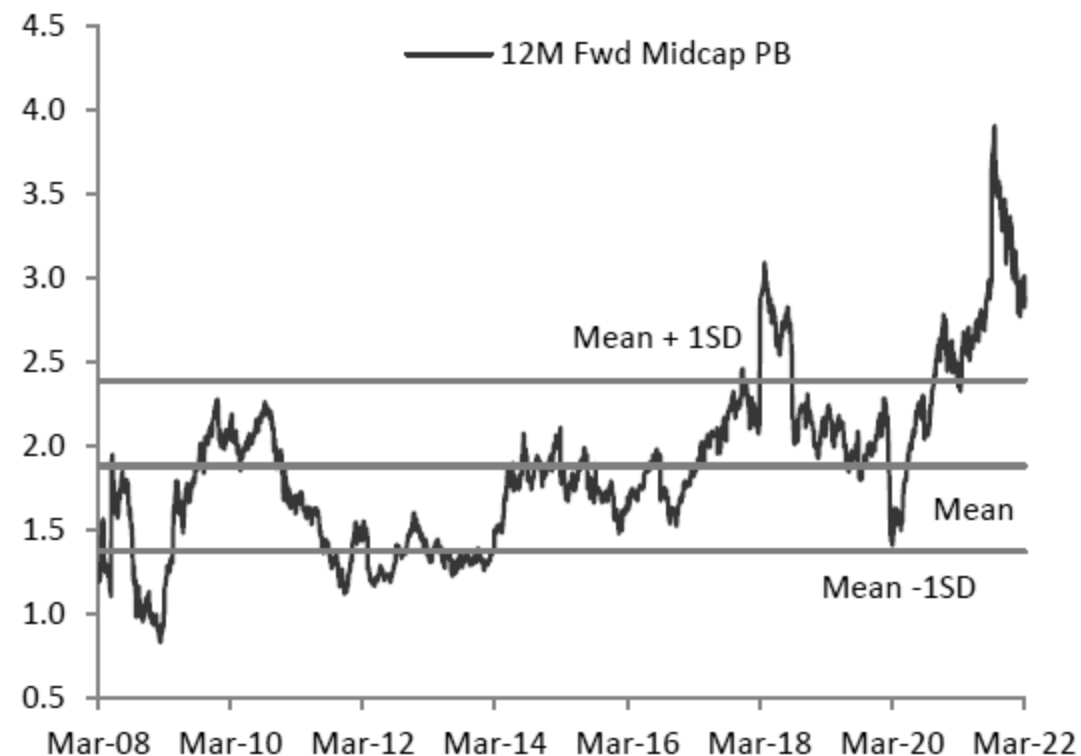
Valuations have come off from peak





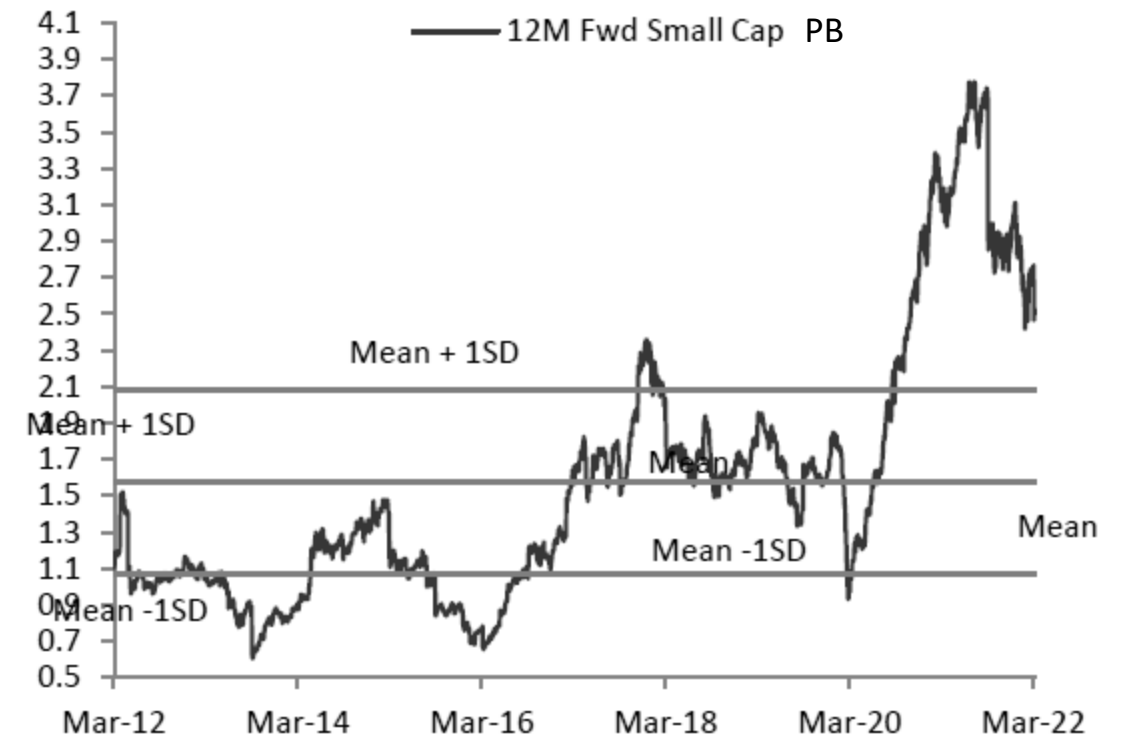
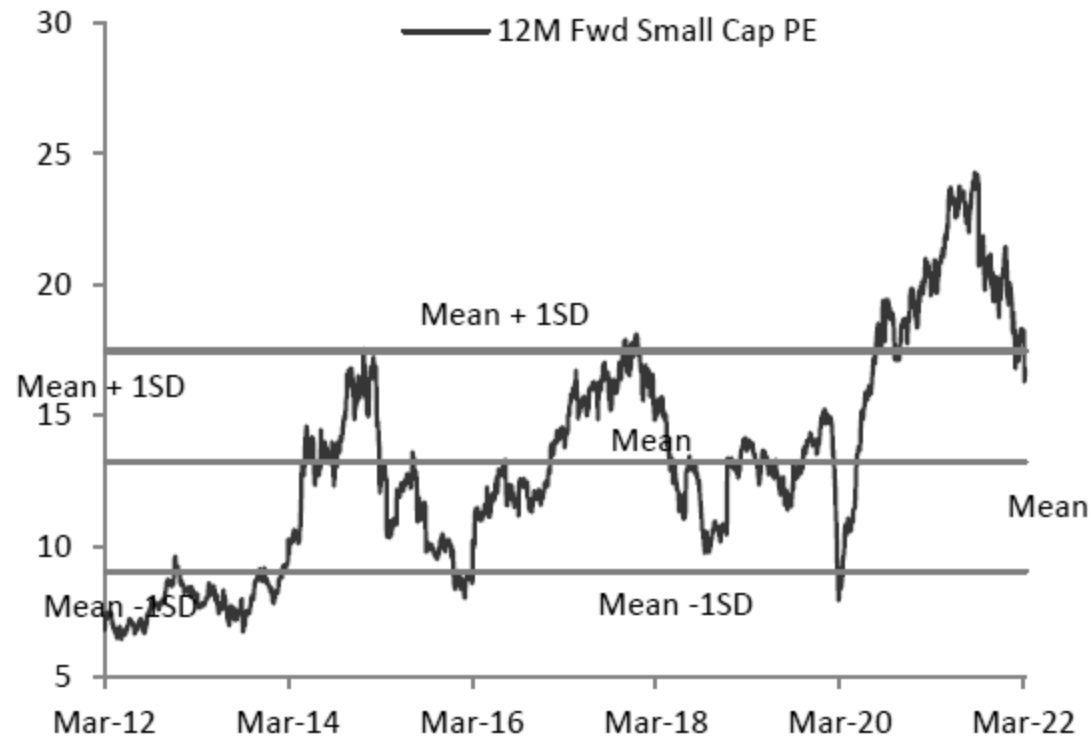
# Valuations - Midcap

Valuations have come off from peak



# Valuations - Smallcap

Valuations have come off from peak



# Sector Valuations

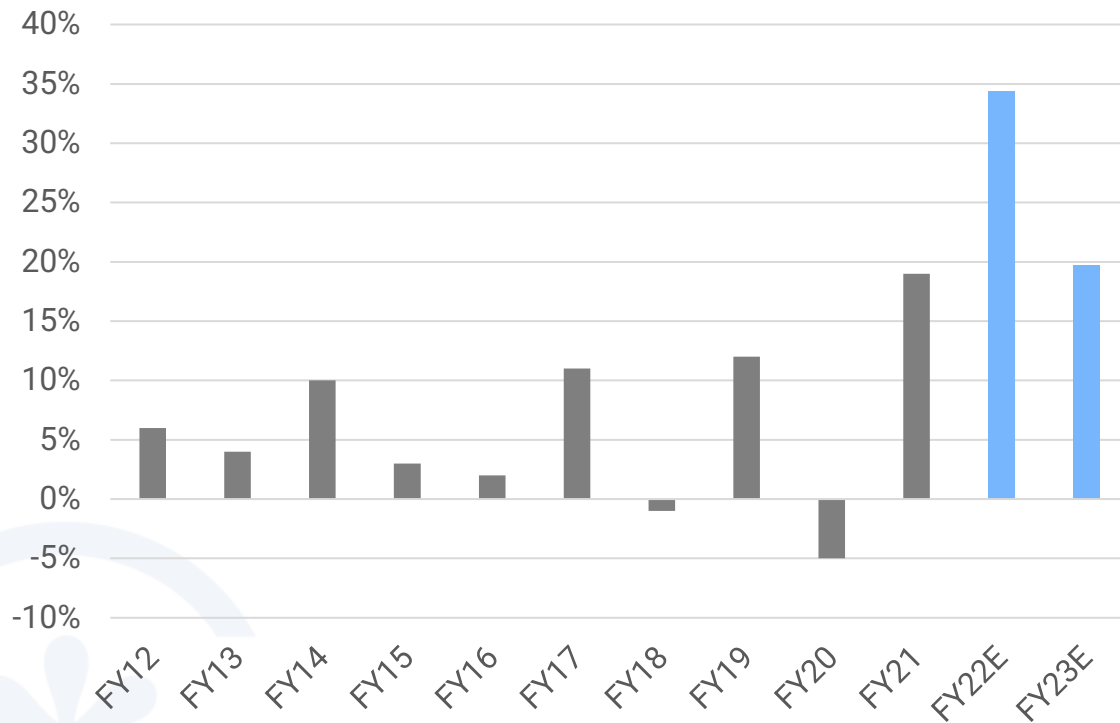


Sector	Current P/E	10 yr. Avg P/E	Prem/Disc %	Current P/B	10 yr. Avg. P/B	Prem/Disc %
Auto	24.1	25.0	-3.6%	3.3	3.1	6.5%
Banks - Private	16.9	20.4	-17.2%	2.5	2.5	0.0%
Banks - PSU	7.2	10.6	-32.1%	0.9	0.8	12.5%
Capital Goods	26.4	28.6	-7.7%	3.2	2.7	18.5%
Cons. Durables	47.4	34.3	38.2%	8.9	6.0	48.3%
Consumer	44.1	38.5	14.5%	10.8	10.1	6.9%
Healthcare	24.7	24.7	0.0%	3.6	3.9	-7.7%
Infrastructure	15.9	8.5	87.1%	1.6	1.1	45.5%
Metals	7.3	10.9	-33.0%	1.5	1.1	36.4%
Oil & Gas	12.5	11.5	8.7%	1.7	1.4	21.4%
Sp.Chemicals	36.7	16.0	129.4%	7.4	3.0	146.7%
Real Estate	25.3	23.4	8.1%	2.4	1.2	100.0%
Retail	85.9	81.5	5.4%	16.5	8.5	94.1%
Technology	25.5	18.5	37.8%	8.0	4.9	63.3%

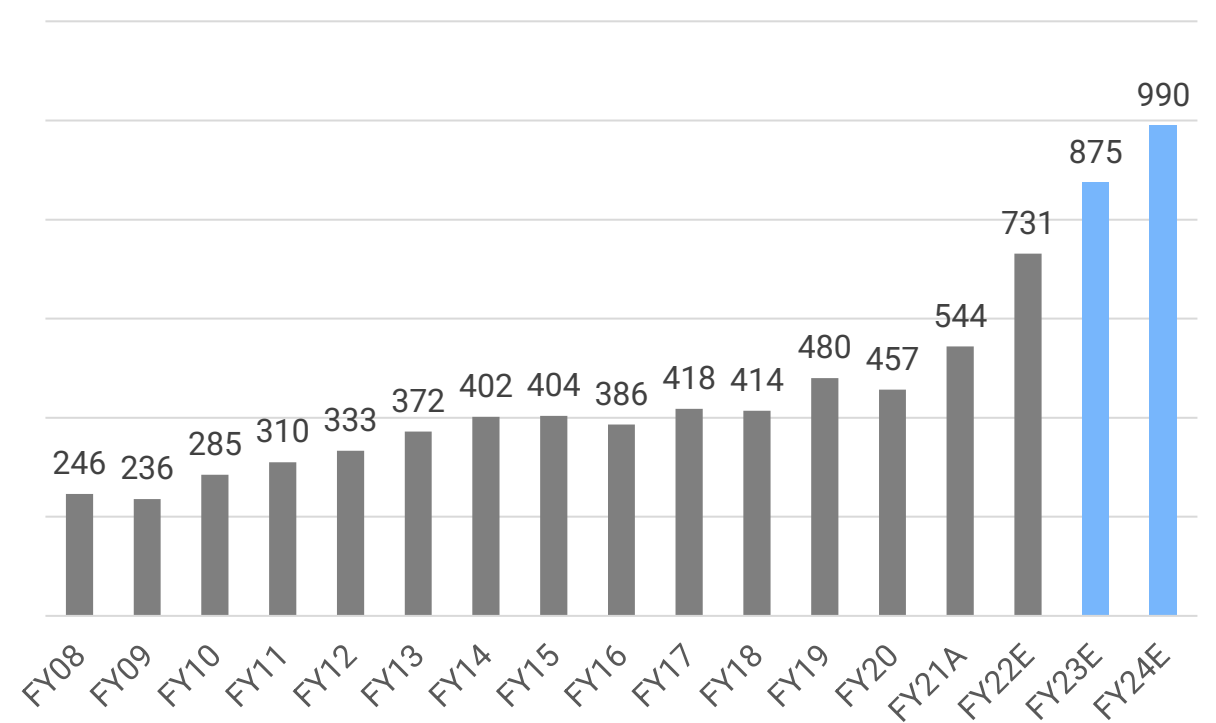
# Earnings Growth

Nifty 50 EPS Growth – Sharp rise in FY22

Nifty 50 EPS Growth



Nifty 50 EPS



# Flows

DII Flows have remained strong and offsetting FII selling

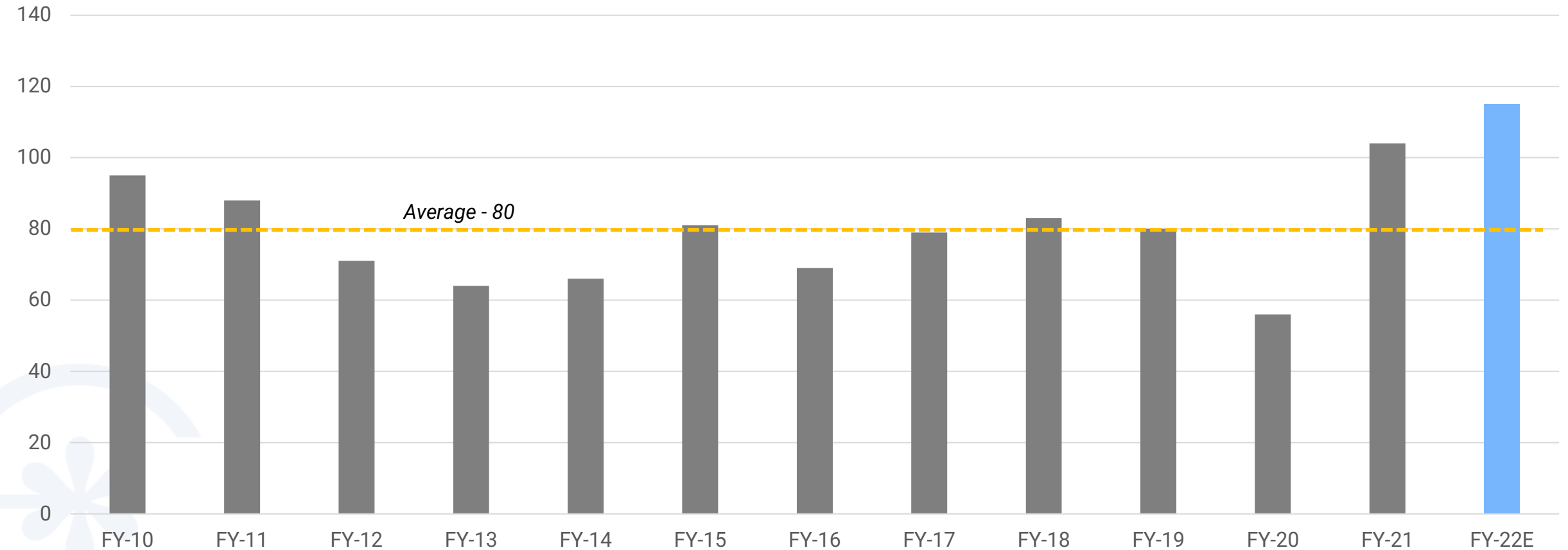
CY	FII-Cash (US\$ mn.)	DIIs (US\$ mn.)	MFs(subset of DIIs)
2015	3,274	10,313	10,872
2016	2,903	5,425	6,976
2017	8,014	14,043	18,322
2018	-4,557	15,896	17,365
2019	14,234	5,971	7,509
2020	23,373	-4,910	-6,989
2021	3,761	13,034	10,611
<b>2022 (YTD)</b>	<b>-17,156</b>	<b>17,320</b>	<b>11,743</b>
Jan 22	-4,817	2,939	2,212
Feb 22	-5,018	5,601	3,752
Mar 22	-3,693	5,195	3,121
Apr 22	-3,628	3,585	2,658

# Marketcap to GDP

Marketcap to GDP ratio is above long term average

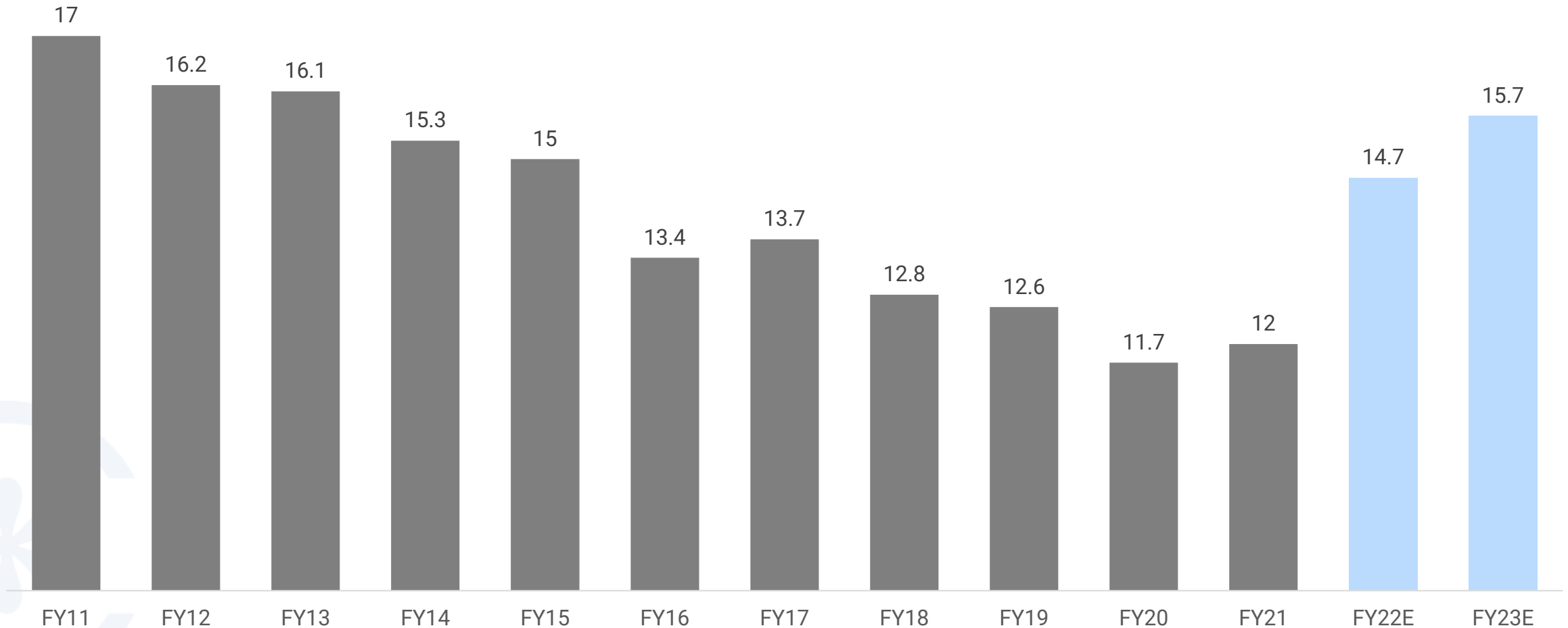


Marketcap to GDP



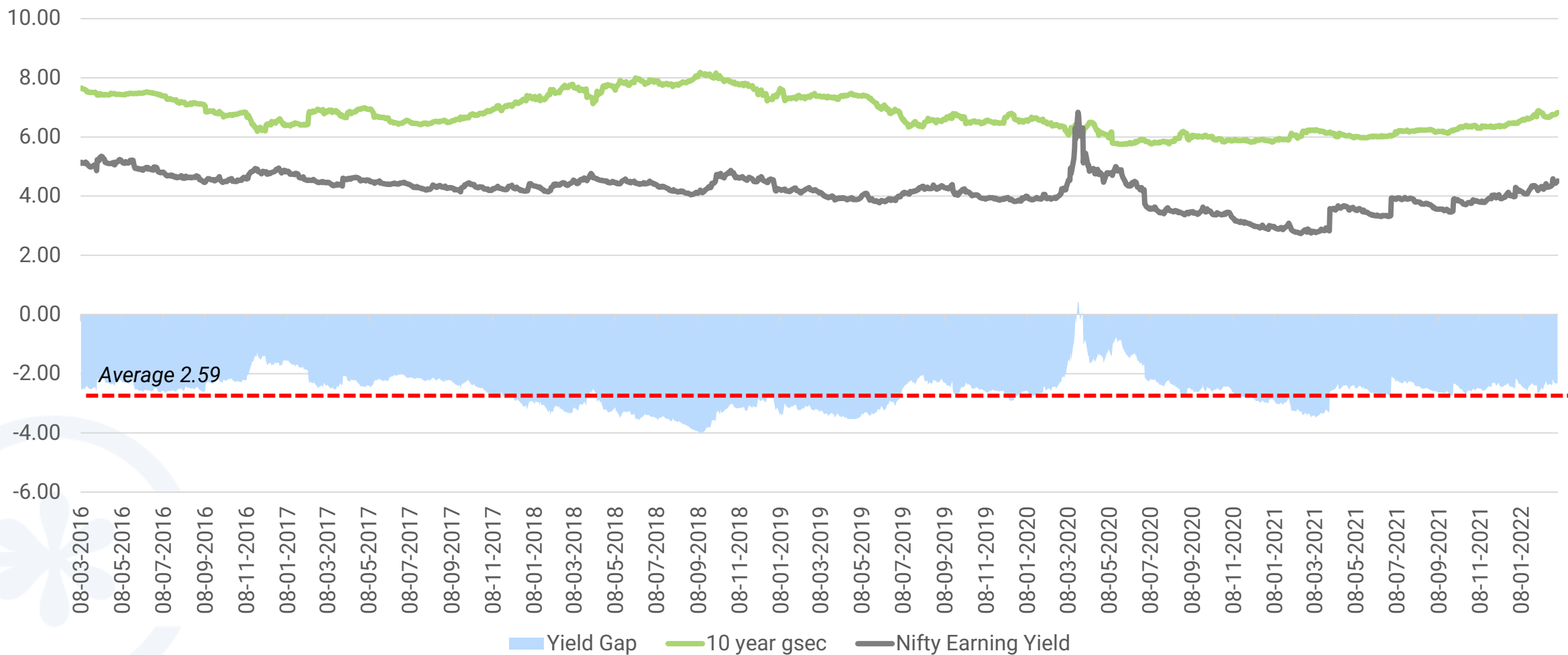
# Return on Equity

ROE is gradually improving



# Earning Yield

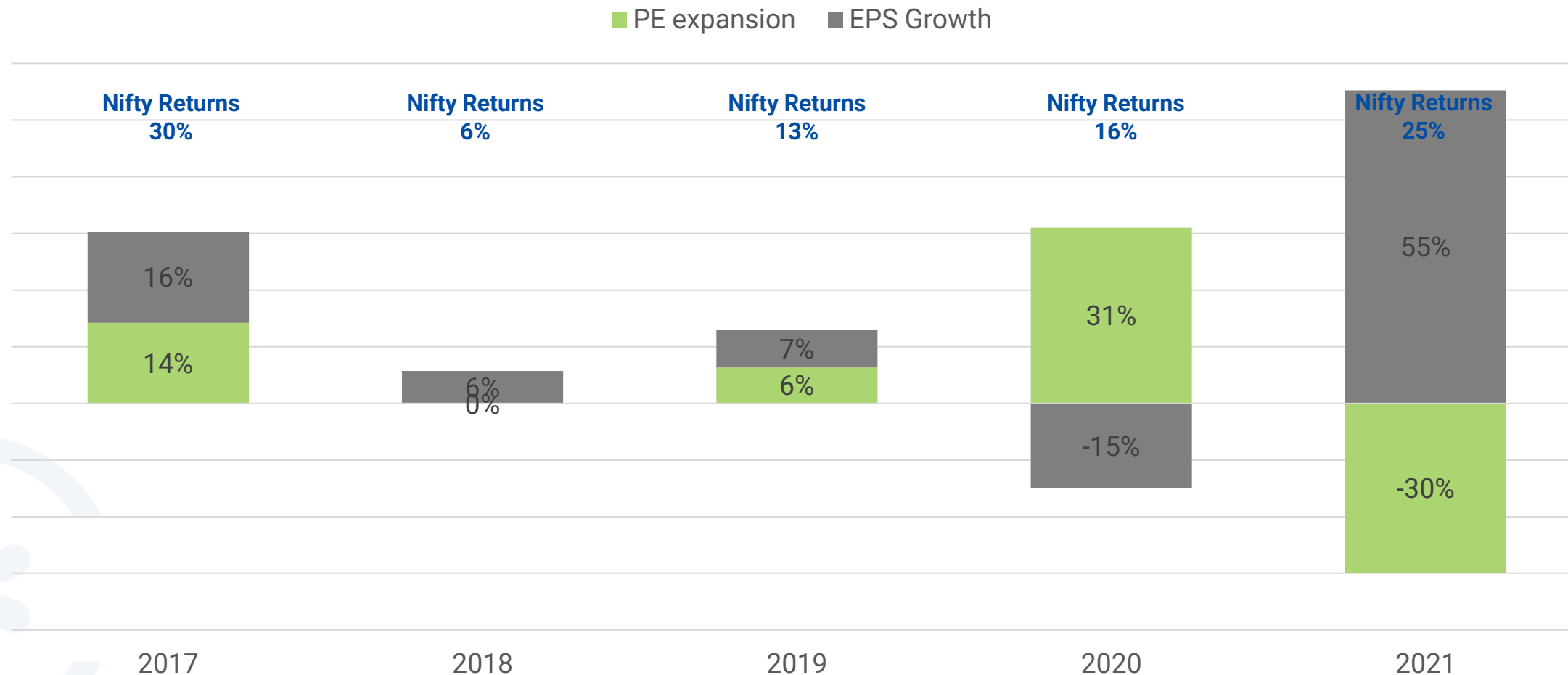
Earning yield gap below long term average





# Market Return Contribution

Contribution of EPS is increasing in overall returns



# Government Reforms

Reforms that are likely to generate macro dividend in coming years

Production linked  
incentive scheme for  
11 manufacturing  
sector

Insolvency and  
bankruptcy code

Corporate Tax Cut in  
2019

Asset monetisation  
scheme

GST

Various privatisation  
and disinvestment  
initiative

# Government Reforms

- \* The GoI has announced PLI schemes to the tune of INR2.75trn until date. These are expected to be paid out on ~4–6% of incremental revenues.
- \* This would imply incremental revenues of about INR31trn over the next five years and capex of INR2.8trn over the next two years (indicating additional capex of close to INR1.4 trn every year).
- \* This would be ~20% addition to the annual capex of~INR 7trn seen over the last three years.

Sector	Incentive (INR bn)	Capex (INR bn)	Sales (INR bn)
Semiconductors and Display manufacturing	760	760	1900
Automobiles & Auto Components	570	280	1400
Mobile Manufacturing & Specified Electronic Components	409	110	11500
Pharmaceuticals	253	236	3500
Advance Chemistry Cell (ACC) Battery	181	450	450
Telecom & Networking Products	122	30	2400
Food Products	109	60	1200
Textile Products	107	190	3000
Electronic/Technology Products	73	25	1600
Specialty Steel	63	396	2500
White Goods (ACs & LED)	62	79	1700
High Efficiency Solar PV Modules	45	172	175
<b>Total</b>	<b>2754</b>	<b>2788</b>	<b>31325</b>

# Financialisation of Savings

Rise in financial savings is aiding equity markets

Year	Financial Savings (% of total household savings)	Physical Savings (% of total household Savings)
FY12	31.1	68.9
FY13	32.8	67.2
FY14	36.4	63.6
FY15	36.1	63.9
FY16	44.9	55.1
FY17	41.1	58.9
FY18	39.6	60.4
FY19	37.2	62.8
FY20	40.6	59.4
FY21	44.8	55.2
FY22E	47.1	52.9
FY23E	48.8	51.2

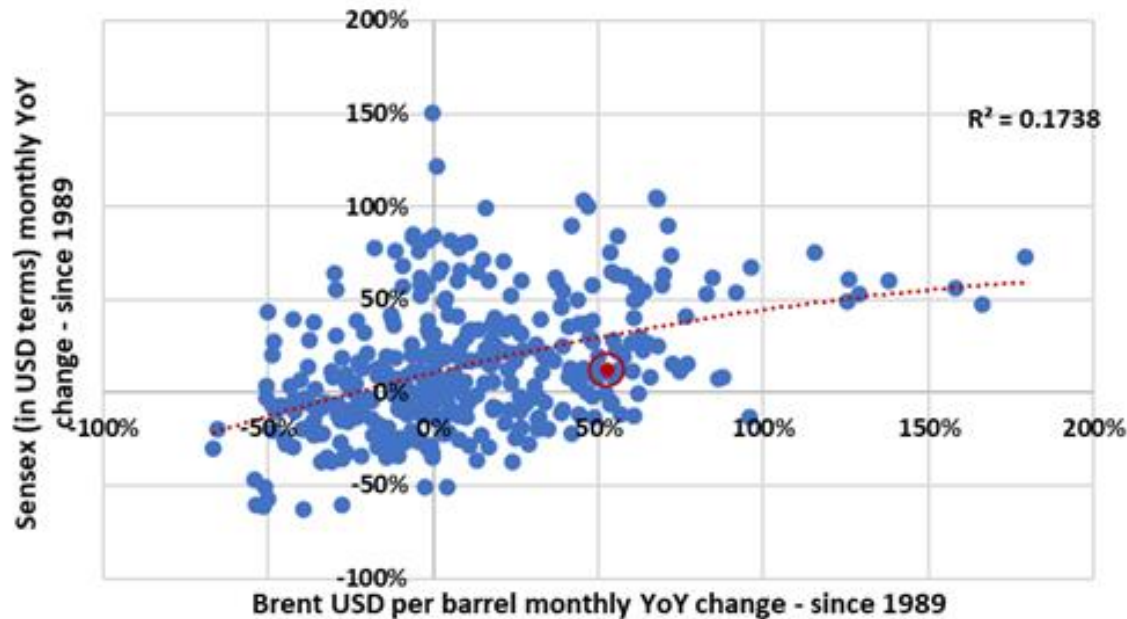
# Charts to watch

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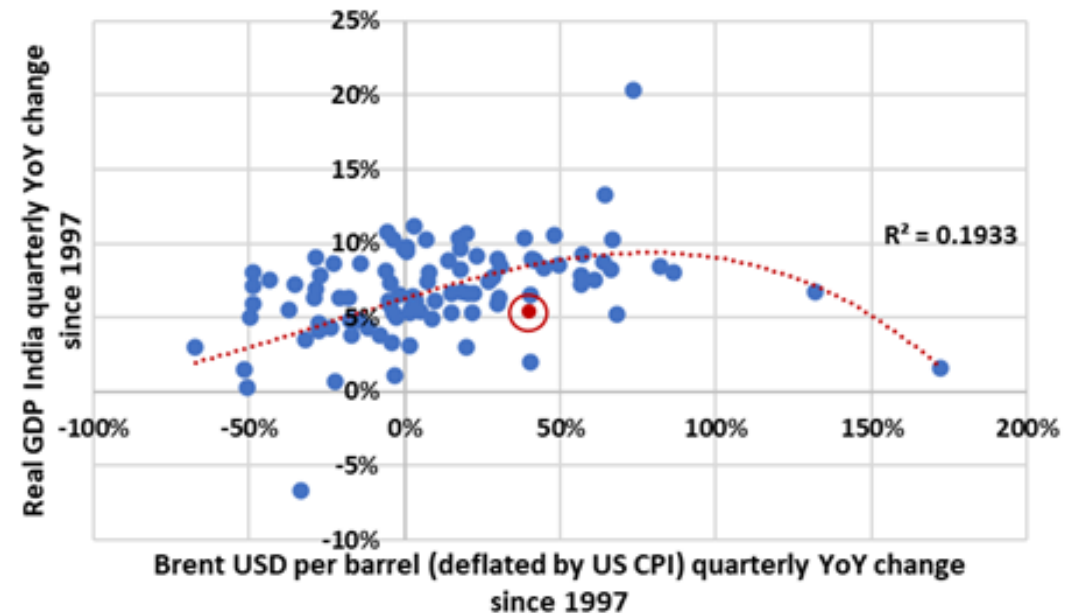


# Impact of high oil prices on equity

Link between crude oil prices, the Indian economy and the Sensex, a far less worrisome



The chart above shows that rise in crude oil price correlates with rise in equities. They share a positive correlation.



The chart above shows that rise in crude oil price correlates with rise in GDP, until oil price rise exceeds 100% YOY.

# Strengthening Dollar = Weak Commodity

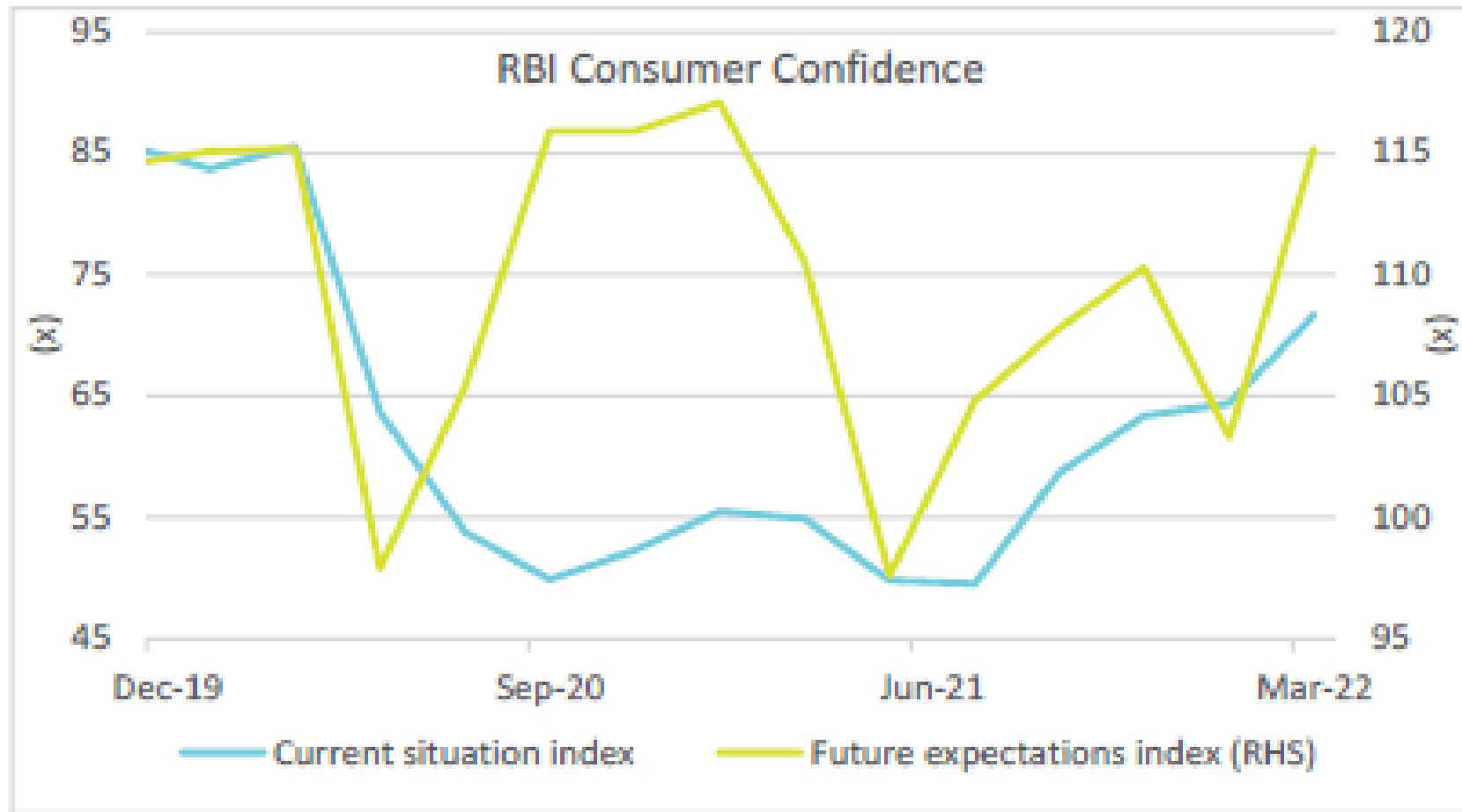
Will commodities give up their rise with dollar gaining strength?

CRB Index | DXY (UTC+5.5)



source: tradingeconomics.com

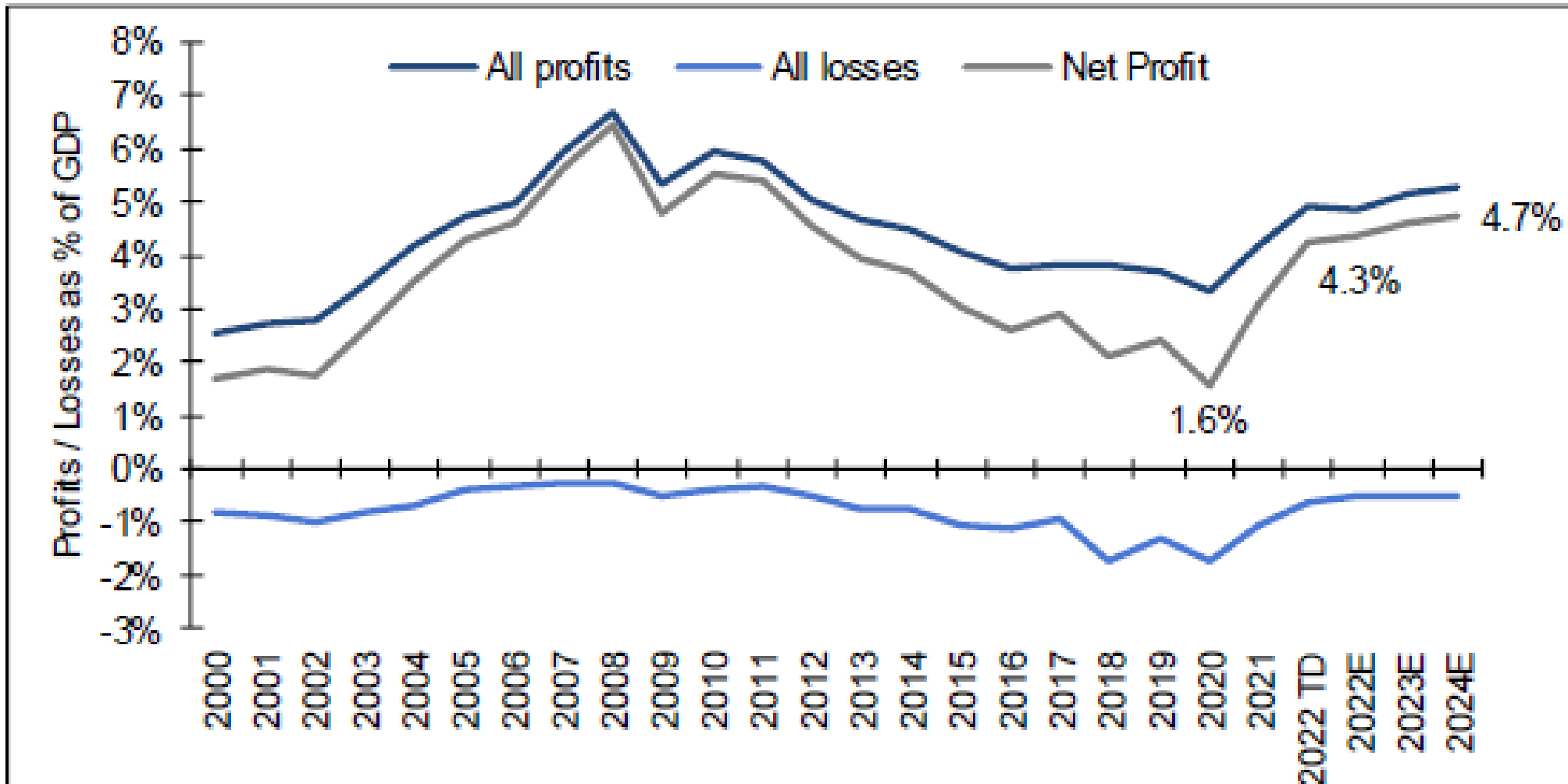
# Consumer confidence improving





# PAT to GDP mean reverting

PAT to GDP continues to improve and is now expected to reach 4.7% in next 2 years.



# India GDP growth fastest among peers

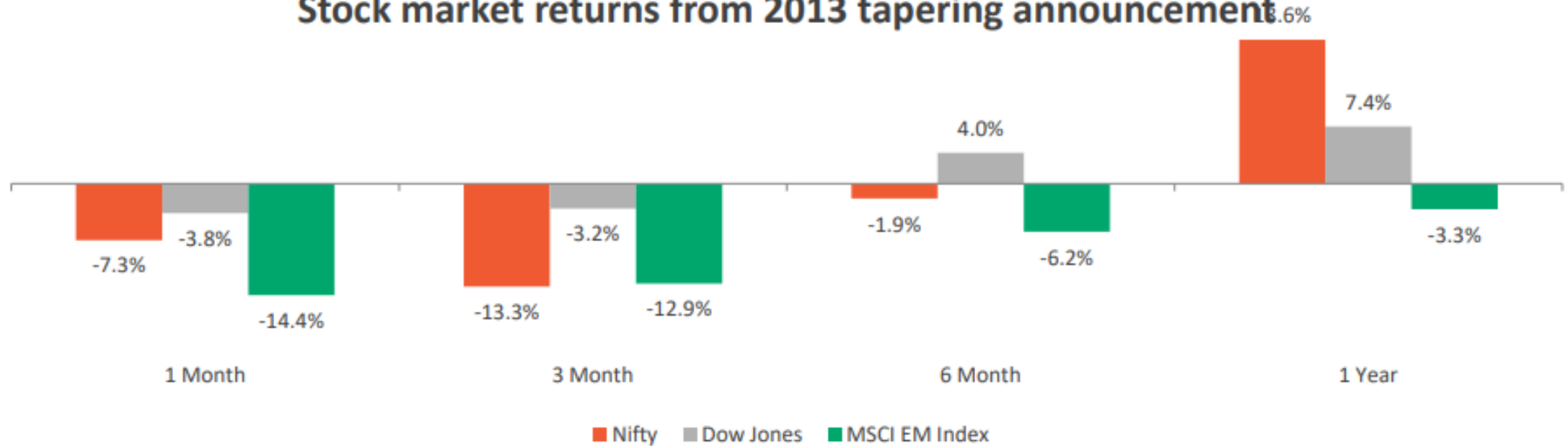


(%)	2021	2022E	2023E
World Output	6.1	3.6	3.6
Advanced Economies	5.2	3.3	2.4
United States	5.7	3.7	2.3
Euro Area	5.3	2.8	2.3
EM and Developing	6.8	3.8	4.4
China	8.1	4.4	5.1
India	8.9	8.2	6.9
Brazil	4.6	0.8	1.4
Saudi Arabia	3.2	7.6	3.6
South Africa	4.9	1.9	1.4

# How big a risk is taper tantrum?

In last fed rate reversal cycle in 2013, equity declined 10-15% in first 3 months, but clocked double digit returns over next 1 year period.

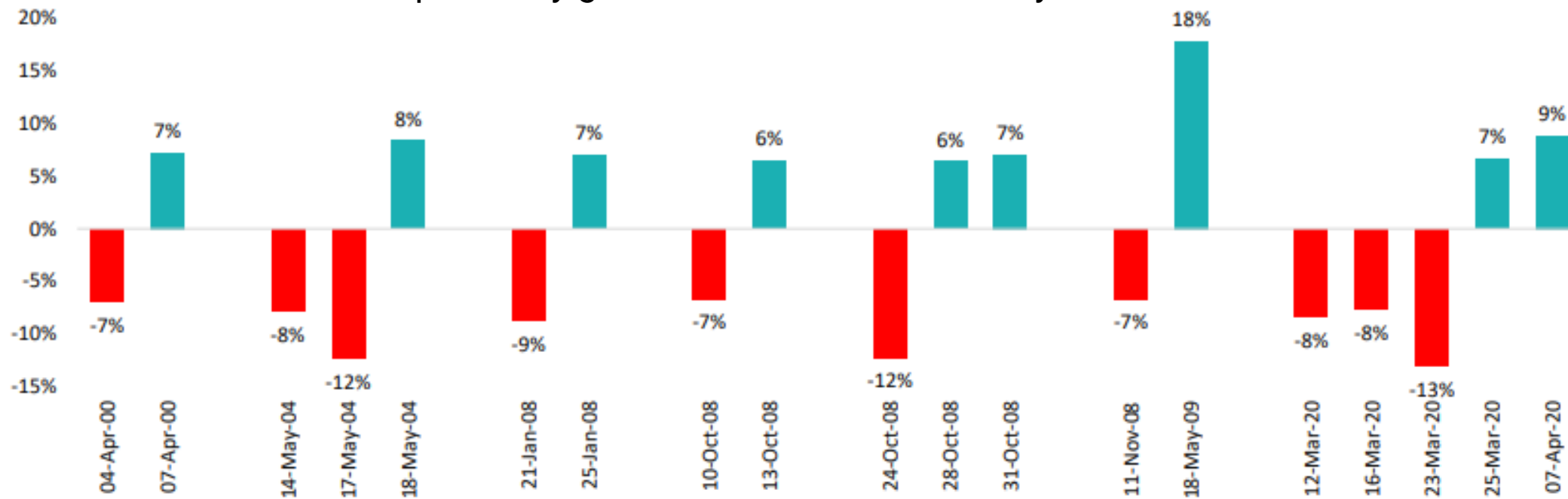
Stock market returns from 2013 tapering announcement



# Don't miss the best days of market



Top 10 daily gains and drawdowns in Nifty 50 since 2000



- \* Most best days of markets have come immediately after biggest drawdowns or within 6 months.
- \* Selling during a drawdown and not participating in the pullback rally, essentially missing the 10 best days of Nifty gain, can lower overall returns **from 10.6x to 4.5x (CAGR dropping to 7.4% from 11.8%)** since Jan 2000.
- \* A similar analysis on the Nifty Midcap Index suggests returns **drop to 12.8x from 25.6x** since Jan 2001.

**Staying invested is the best strategy during extreme volatility**

# Market Insights



## The Macro Picture

- \* Despite recent rises, rates are still the lowest in the last decade
- \* Relative Yield Gap comfortably points towards overweight equities
- \* Inflation: A function of supply shortages/transient in nature



## The Earnings & Valuation Picture

- \* After years of downside, earnings are finally looking up in 2HFY23
- \* Incipient signs of pick-up in capex trends look encouraging
- \* National Elections in a couple of years makes government pro-spending after years of reforms
- \* PLI/Growth schemes to add 1-2% of structural growth over medium-term
- \* Valuations stretched on depressed earnings estimates

# How are we playing this in our portfolios



## FY23 likely to be a tale of two Halves

- \* Interest-rate, Omicron, Geo-politics and Inflation related volatility in 1HFY23
- \* Earnings recovery in 2HFY23



## Strong bottom-up earnings trigger is the way forward

- \* Rebound in Credit Growth
- \* Private Sector Investment Demand
- \* House-hold Capex Demand
- \* Beneficiaries of Govt. growth schemes and China plus one demand



## Budget that pushes growth

- \* Growth over Fiscal Prudence
- \* Long-term Capital Formation over Short-term Relief Measures
- \* Embracing the Digital Economy
- \* Commitment to Make-in-India theme

# Key issues to watch out for



- \* Rise of Interest rates out-of-sync with earnings
  - \* Stagflation
- \* Persistent high Oil Prices
- \* Rise of global terrorism

# Fund Insights

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# Equity Funds Overview



Scheme Names	Edelweiss Large & Mid Cap Fund			Edelweiss Mid Cap Fund			Edelweiss Flexi Cap Fund			Edelweiss Small Cap Fund			Edelweiss Long Term Equity Fund (Tax Savings)		
AUM (Rs Cr)	1,284			1,958			925			1,169			191		
Market Cap Allocation	53.95%	38.07%	7.98%	8.82%	68.41%	22.77%	69.03%	17.75%	13.22%	2.87%	28.20%	68.93%	67.16%	16.90%	15.94%
OW Sectors	<ul style="list-style-type: none"> <li>Industrial/Infra</li> <li>BFSI</li> <li>Chemicals &amp; Fertilisers</li> </ul>			<ul style="list-style-type: none"> <li>Industrial/Infra</li> <li>Chemicals &amp; Fertilisers</li> <li>BFSI</li> </ul>			<ul style="list-style-type: none"> <li>Industrial/Infra</li> <li>BFSI</li> <li>Healthcare</li> </ul>			<ul style="list-style-type: none"> <li>Industrial/Infra</li> <li>Transportation</li> <li>Chemicals &amp; Fertilisers</li> </ul>			<ul style="list-style-type: none"> <li>Industrial/Infra</li> <li>Auto &amp; Auto Ancillaries</li> <li>BFSI</li> </ul>		
UW Sectors	<ul style="list-style-type: none"> <li>Oil &amp; Gas</li> <li>Technology</li> <li>Power</li> </ul>			<ul style="list-style-type: none"> <li>Oil &amp; Gas</li> <li>Auto &amp; Auto Ancillaries</li> <li>Textiles</li> </ul>			<ul style="list-style-type: none"> <li>Oil &amp; Gas</li> <li>Consumer</li> <li>Metals &amp; Mining</li> </ul>			<ul style="list-style-type: none"> <li>BFSI</li> <li>Media &amp; Entertainment</li> <li>Leisure Services</li> </ul>			<ul style="list-style-type: none"> <li>Oil &amp; Gas</li> <li>Power</li> <li>Metals &amp; Mining</li> </ul>		

# Portfolio Return Ratios



	Edelweiss Large & Mid Cap Fund	Edelweiss Mid Cap Fund	Edelweiss Flexi-Cap Fund	Edelweiss Small Cap Fund	Edelweiss Long Term Equity Fund
FY22E EPS growth (%)	22.5	24.5	25.0	30.2	23.9
FY23E EPS growth (%)	21.6	22.0	22.8	21.2	23.0
PEG (x)	1.0	1.0	0.9	0.8	0.9
FY22E ROE (%)	19.3	19.4	18.7	20.4	19.5
FY23E ROE (%)	20.6	20.6	20.2	21.0	20.8
PER FY22E (x)	22.1	24.4	21.7	23.1	21.0
PER FY23E (x)	18.1	20.0	17.7	19.1	17.1

# New Entries and Exits in Portfolios



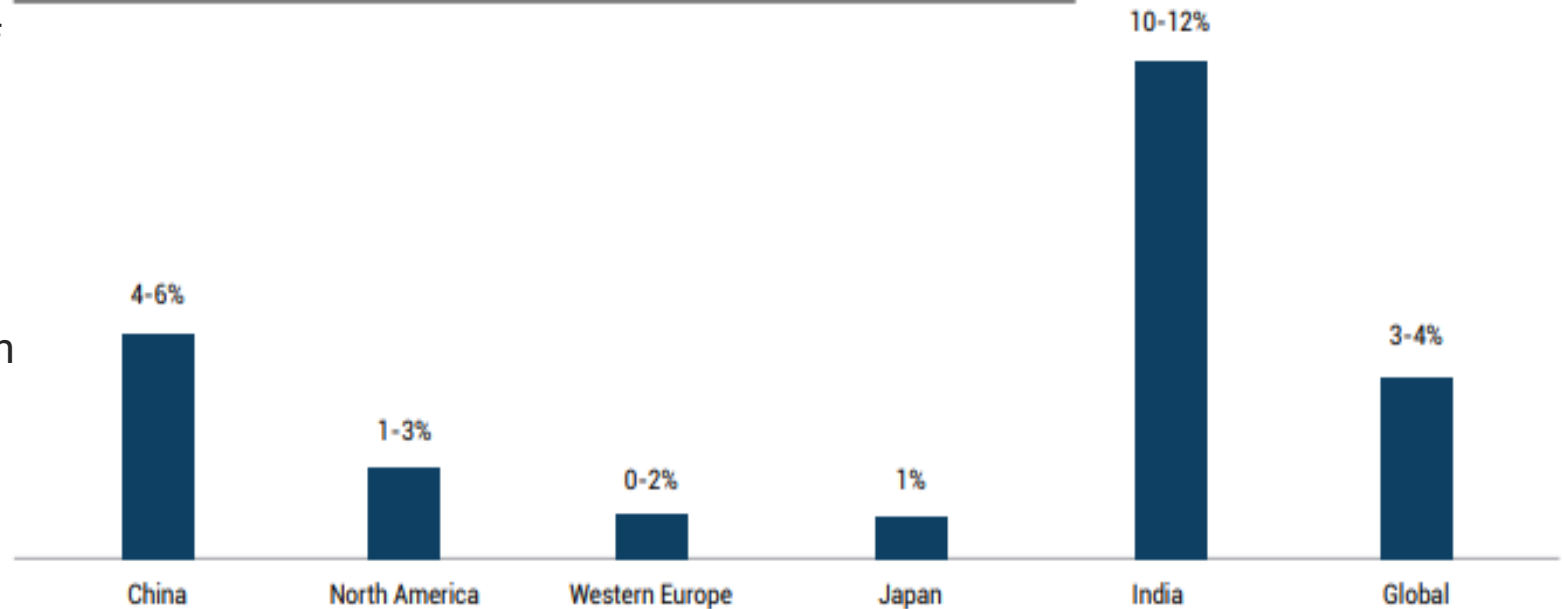
	Edelweiss Large & Mid Cap Fund	Edelweiss Long Term Eq Fund (Tax Saving)	Edelweiss Flexi-Cap Fund	Edelweiss Small Cap Fund	Edelweiss Mid Cap Fund
New Entries	Tata Consultancy Ltd.		Tata Consultancy Ltd.	Cummins India Ltd. City Union Bank Ltd.	
Exits	<ul style="list-style-type: none"> <li>ICICI Lombard General Insurance Co. Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>Mphasis Ltd.</li> <li>Equitas Holdings Ltd.</li> <li>JK Cement Ltd.</li> <li>Tech Mahindra Ltd.</li> <li>Honeywell Automation India Ltd.</li> <li>Mahindra Logistics Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>ICICI Lombard General Insurance Co. Ltd.</li> <li>CSB Bank Ltd.</li> </ul>		

# Why we own; What we own – Specialty Chemicals



- Global Specialty chemical market is ~USD 800 bn. where India's share is 1/4th that of China.
- Indian companies have just scratched the surface. Some of the largest specialty chemical companies in India have less than USD 1 bn sales compared to global market size of USD 800bn.
- Indian Chemical industry at the cusp of taking majority of the world's market share, with several legal and pollution issues in China. [Read detailed note here](#)

**Region-wise expected growth in specialty chemicals (CY 2020-2025 CAGR)**



Source: CRISIL Research

Stocks we own in portfolios	
Navin Fluorine International Ltd.	Tata Chemicals Ltd.
Atul Ltd.	Vinati Organics Ltd.
Aarti Industries Ltd.	Deepak Nitrite Ltd.
SRF	Fine Organic Industries Ltd.
Nocil Ltd.	Sudarshan Chemical Industries Ltd.

The above stocks are currently part of the portfolio. There is no assurance or guarantee of future position in the above stocks.

# Active stock exposure across Equity Funds



Edelweiss Large & Mid Cap Fund (L&MCF)		Edelweiss Flexicap Fund (FCF)		Edelweiss Long Term Equity Fund (LTEF)	
ICICI Bank Ltd.	4.09%	ICICI Bank Ltd.	3.89%	ICICI Bank Ltd.	3.40%
Navin Fluorine International Ltd.	2.62%	State Bank of India	2.43%	Axis Bank Ltd.	3.26%
Axis Bank Ltd.	2.47%	Axis Bank Ltd.	2.00%	State Bank of India	2.95%
Cholamandalam Investment & Fin Co Ltd.	2.31%	Max Healthcare Institute Ltd.	1.98%	Greenpanel Industries Ltd.	2.39%
ABB India Ltd.	2.24%	Navin Fluorine International Ltd.	1.93%	ABB India Ltd.	2.01%
State Bank of India	2.12%	Tata Motors Ltd.	1.90%	Bharti Airtel Ltd.	1.74%
Trent Ltd.	1.92%	ABB India Ltd.	1.87%	Infosys Ltd.	1.70%
Crompton Greaves Cons Electrical Ltd.	1.79%	Can Fin Homes Ltd.	1.86%	Tata Motors Ltd.	1.70%
Persistent Systems Ltd.	1.74%	Brigade Enterprises Ltd.	1.74%	Minda Industries Ltd.	1.55%
Cummins India Ltd.	1.63%	The Phoenix Mills Ltd.	1.69%	Birlasoft Ltd.	1.50%

Active exposure is holding % in relation with the benchmark of the fund. Holdings as on April 29, 2022.

# Active stock exposure across Equity Funds



Edelweiss Mid Cap Fund (MCF)		Edelweiss Small Fund (SCF)	
Cholamandalam Investment & Fin Co Ltd.	3.77%	Persistent Systems Ltd.	2.53%
ABB India Ltd.	2.89%	Max Healthcare Institute Ltd.	2.34%
Navin Fluorine International Ltd.	2.68%	Cholamandalam Investment & Fin Co Ltd.	2.27%
The Federal Bank Ltd.	2.35%	Navin Fluorine International Ltd.	2.17%
SRF Ltd.	2.31%	JB Chemicals & Pharmaceuticals Ltd.	2.14%
Max Healthcare Institute Ltd.	2.30%	The Federal Bank Ltd.	1.89%
Crompton Greaves Cons Electrical Ltd.	2.20%	Grindwell Norton Ltd.	1.81%
Cummins India Ltd.	2.05%	Greenpanel Industries Ltd.	1.80%
Indian Bank	2.02%	Mold-Tek Packaging Ltd.	1.74%
Trent Ltd.	1.94%	Chambal Fertilizers & Chemicals Ltd.	1.69%

# Top Active calls - Largecaps



Rationale	L&MCF	FCF	LTEF
<ul style="list-style-type: none"> <li>ICICI Bank is poised to take lead and march ahead of its rivals.</li> <li>Retail disbursements have witnessed significant pick up, led by mortgages and auto loans.</li> <li>Corporate demand is likely to improve, given pick up in trade volumes and increasing working capital demand, aided by rising commodity prices.</li> <li>The bank's focus is on growing core operating profit.</li> <li>The bank has created 360-degree customer-centric approach, where it is not just aiming to sell a product but is also creating an ecosystem of offerings to attract customers.</li> </ul>	4.09%	3.89%	3.40%
<ul style="list-style-type: none"> <li>SBI with strong balance sheet, capital position and investments in digitalisation/technology is better placed to ride on the potential uptick in credit off-take. SBI has an edge in terms of loan book growth deriving from overall systemic improvement in credit demand.</li> <li>SBI's asset quality has been resilient over the past few quarters. Bank has reported a RoE of ~12.7% in 3QFY22 – the highest since AQR commenced in FY16 – and appears well positioned to surpass 15% RoE in the medium term.</li> </ul>	2.12%	2.43%	2.95%
<ul style="list-style-type: none"> <li>Axis is amongst the largest private sector bank in India in terms of asset size.</li> <li>With a strong results in recent quarters, the bank has made a comeback on all key parameters and reversed earlier disappointments.</li> <li>Strength in earnings is expected to sustain in the following quarters and slippages to decline further.</li> <li>The Citi deal will complement AXIS Bank's organic growth initiatives.</li> </ul>	2.47%	2.00%	3.26%



# Top Active calls - Largecaps



Rationale	MCF	FCF	LTEF	SCF
<ul style="list-style-type: none"> <li>As per NASSCOM, the Indian IT industry is estimated to grow at 15.5% in FY2022, reaching \$227 billion revenue.</li> <li>Spending on Cloud migration and digital transformation initiatives undertaken by the enterprises continues to be strong across industries and geographies.</li> <li>In addition, talent shortage in developed markets including US and Europe is driving the outsourcing demand for Indian IT service vendors.</li> <li>Infosys is well-equipped to deliver industry-leading organic growth among large peers in FY2023E, led by broad-based demand, healthy deal wins, strong deal pipeline, and strong execution.</li> </ul>			1.70%	
<ul style="list-style-type: none"> <li>A play on specialty chemicals which is witnessing a structural high growth cycle given favourable dynamics - China Plus One strategy by global companies)</li> <li>SRF's specialty chemical business is expected to grow steadily in high teens.</li> <li>SRF which was predominantly into refrigerant gases and agro chemicals is now diversifying into chemicals which goes into pharma application. This will be next big growth driver for the company.</li> <li>Management is confident of growth across segments and focused to invest in high-growth specialty chemicals and thus expected strong revenue and profit growth along with ~20% ROCE.</li> </ul>	2.31%			

Infosys

SRF



# Top Active calls - Midcaps



Rationale	MCF	L&MCF	SCF
<ul style="list-style-type: none"> <li>We believe the need for business continuity, operational resilience, and the switch to digital transactions have led to strong demand for IT services post the pandemic.</li> <li>PSL is an early identifier of digital trends and has strong product development capabilities.</li> <li>It is well-poised to capitalize on this opportunity and deliver industry-leading growth, led by its strong digital competencies, robust ACVs, and broad-based demand.</li> <li>The recent acquisition of MediaAgility will strengthen its partnership with Google and enable it to capture opportunities in high growth markets.</li> <li>PSL is expected to clock Top tier USD revenue &amp; earnings growth over medium term.</li> </ul>		1.74%	2.53%
<ul style="list-style-type: none"> <li>Auto financiers are expected to see loan growth improve and asset quality pressures ease as business activities normalize. Better economic activity, pick-up in auto sales and revival of used commercial vehicles segment would drive auto loan growth for financiers.</li> <li>Cholamandalam Investment &amp; Fin Co Ltd. has established itself as a strong and well-run vehicle financing (that forms 70% of AUM) NBFC with attractive return ratios, steady net interest margin, and strong operating metrics, which underline its high pedigree among peers.</li> <li>The company outdoes its peers in terms of loan book growth; non-auto segments are likely to drive growth going ahead, even as outlook for auto loans improves.</li> <li>The company has demonstrated stable asset quality through cycles and we expect it to improve further given its ability to tide over credit cycles with relative ease and its lower credit cost versus peers.</li> </ul>	3.77%	2.31%	2.27%
<ul style="list-style-type: none"> <li>Federal Bank is transforming itself into a next-gen private bank via its neo-banking tie-ups across assets, liabilities, and payments businesses. This should not only help the bank thrive in the new era of banking, but also reduce the incremental cost of business and garner better fees/revenues in the long run.</li> <li>The bank's retail portfolio has now diversified into higher-margin CV, MFI, PL and Card businesses, which should drive up NIMs and ROA</li> <li>Given the bank's strong liability franchise, capitalisation, coverage and liquidity than its regional peers, it is better placed to withstand Covid'19-related stresses and gain market share. With lower stress than earlier anticipated, lower credit costs would lead to a sharp recovery in earnings.</li> </ul>	2.35%		1.89%

# Top Active calls - Midcaps



## Rationale

- Cummins is the largest standby genset player in India with a lead market share in medium and large gensets. The company has a strong technology/innovation track record, well supported by its parent, which helps it stay ahead of peers across changes in emission norms
- Cummins is expected to benefit from strong domestic demand especially in infrastructure, mining and data centers. The exports have started to recover led by strong growth continuing in Asia pacific regions followed by Africa, Middle East and Latin America.
- Cummins' strong parentage and technological capabilities give it an edge over competitors. The company's innovative products and solutions, market leadership in the domestic market, rising optimism for export recovery, and margin expansion is positive for the company.
- The company has begun to witness the benefits arising from strong revival in key segments such as power generation, construction, and mining, which are expected to sustain going forward.
- Crompton's competitive strength in core areas (fans, residential pumps) has only marched northward in recent years, thanks to innovation and market penetration. Besides, in recent years, geysers and coolers have been significantly scaled up, putting Crompton in the league of top and relevant peers.
- Crompton is a strong play in consumer segment given 1) market share gains across core categories of Fans, Pumps & LED lights 2) sustained investments in LT initiatives (brand building, innovation, business processes & teams 3) well defined plan of entering & scaling up new categories (Water Heaters, Air Coolers, Mixer-Grinders) and 4) strong balance sheet.
- Recent acquisition of Butterfly can help achieve scale in kitchen appliances (Rs80bn opportunity), a focus area for Crompton over the past several quarters. Acquisition is in line with Crompton's strategic pillars of 1) strong brand 2) diverse product portfolio 3) deep distribution reach in South 4) in-house manufacturing and strong R&D capabilities and 5) robust organizational processes.

MCF

L&MCF

2.05%

1.63%

2.20%

1.79%



# Top Active calls - Midcaps



Rationale	MCF	L&MCF	SCF
<ul style="list-style-type: none"> <li>Disruption in China affecting the global supply chain offers a strong growth opportunity for Indian chemicals players. Navin Fluorine (NFIL) operates one of the largest integrated fluorochemicals complexes in India with a presence in speciality chemicals, CRAMS, inorganic fluoride and refrigerant segments. The company is well poised for growth with new contracts and opportunities coming in at play. Sustainable growth performance will be led by both High value and Legacy business back by strong project pipelines and partnerships.</li> </ul>	2.68%	2.62%	2.17%
<ul style="list-style-type: none"> <li>Trent is a leading branded retail company that operates Westside and Zudio, a chain of departmental stores retailing apparel, footwear and other accessories, with over 99% contribution from own brands. Trent's prospects remain robust owing to an accelerating shift to branded products and growing appetite for aspirational yet strong value propositions. Innovation in the product portfolio, scaling up of supply chain, &gt;90% contribution from own brands, aggressive store expansions and leveraging on digital presence will be key growth drivers in the medium term. Zudio format which has lower price point compared to Westside is growing at a rapid pace. Store format and pricing point will aid in accelerated growth in tier2/3/4 towns.</li> <li>Accelerated store expansion program, increased contribution from the online channel pick up in food business will augur well for the company in the near term.</li> </ul>	1.94%	1.92%	

# Top Active calls - Smallcaps



The Phoenix Mills Limited



**BRIGADE**  
Building Positive Experiences

Rationale	FCF
<ul style="list-style-type: none"> <li>PML is India's largest retail-led mixed-use developer. The group has carved a niche for itself in the Indian real estate sector, be it mega retail malls, entertainment complexes, commercial spaces or hospitality units.</li> <li>It has real estate assets in Mumbai, Bengaluru, Chennai, Pune, Agra, Indore, Lucknow, Bareilly and Ahmedabad.</li> <li>Revival in consumption in malls and occupancy in hotels, and the pace of liquidation of ready inventory in the housing segment are likely to culminate in robust cash flows going ahead.</li> <li>Leadership in the mall space, a robust balance sheet, and improving consumption trajectory underpins growth prospects for the business</li> </ul>	1.69%
<ul style="list-style-type: none"> <li>BRGD is a South India based developer with operations concentrated primarily in Bengaluru along with other cities like Hyderabad, Mysore, Chennai, and Kochi.</li> <li>We like BEL for its robust residential presence, high-quality rental assets and strong brand equity. Its diversified product portfolio and sustained momentum in the Bengaluru market are the key positives</li> <li>BRGD has a strong rental portfolio comprising of marquee commercial towers, retail malls and hospitality projects. Its operational commercial portfolio spans an area exceeding 3million sq.ft. Further, the company has ~1200 hotel keys operational across various assets.</li> </ul>	1.74%

# Top Active calls - Smallcaps



Rationale	LTEF	SCF
<ul style="list-style-type: none"> <li>Greenpanel industries is the leader with 23% capacity share in MDF industry, the fastest growing home décor segment – likely to clock high teens growth over FY21-26E.</li> <li>MDF consumption in India is just 1/20<sup>th</sup> of China's MDF consumption which provides a long runway for growth</li> <li>The industry is benefitting from: i) pickup in home décor demand led by rising share of readymade furniture; ii) shift from low-end plywood to MDF; iii) import substitution; and iv) exports.</li> <li>Greenpanel is currently enjoying favourable industry scenario led by strong demand, absence of imports and profitable exports aiding it to generate robust free cash flow</li> </ul>	2.39%	1.80%
<ul style="list-style-type: none"> <li>JB Chemicals &amp; Pharmaceuticals has a market leading position in three of its top four brands in India. The top 4 products - Cilacar, Rantac, Metrogyl and Nicardia - account for ~80% of domestic revenue and have grown at mid-high teens annually over the past three years.</li> <li>JB Chemicals is a debt-free cash rich company, which can generate strong FCF annually with limited capex over foreseeable future.</li> <li>Company guides for higher share of revenue from chronic portfolio in India formulation led by 1) new launches and foray in new therapy, 2) Prescription market share gain in existing brands 3) Sales force productivity improvement and 4) higher CAPEX allocation towards Indian market.</li> </ul>		2.14%

# Investment Process

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# Our philosophy while managing your money



Our **FAIR** investment framework helps in identifying Robust and clean businesses available at acceptable price and also keeps us informed on their ESG standings



## Forensics

Use forensic framework to check accounting quality, board governance standards and ownership background



## Acceptable Price

Focus on reasonably priced businesses with medium term earnings power rather than short term and be value/ growth agnostic



## ESG Informed

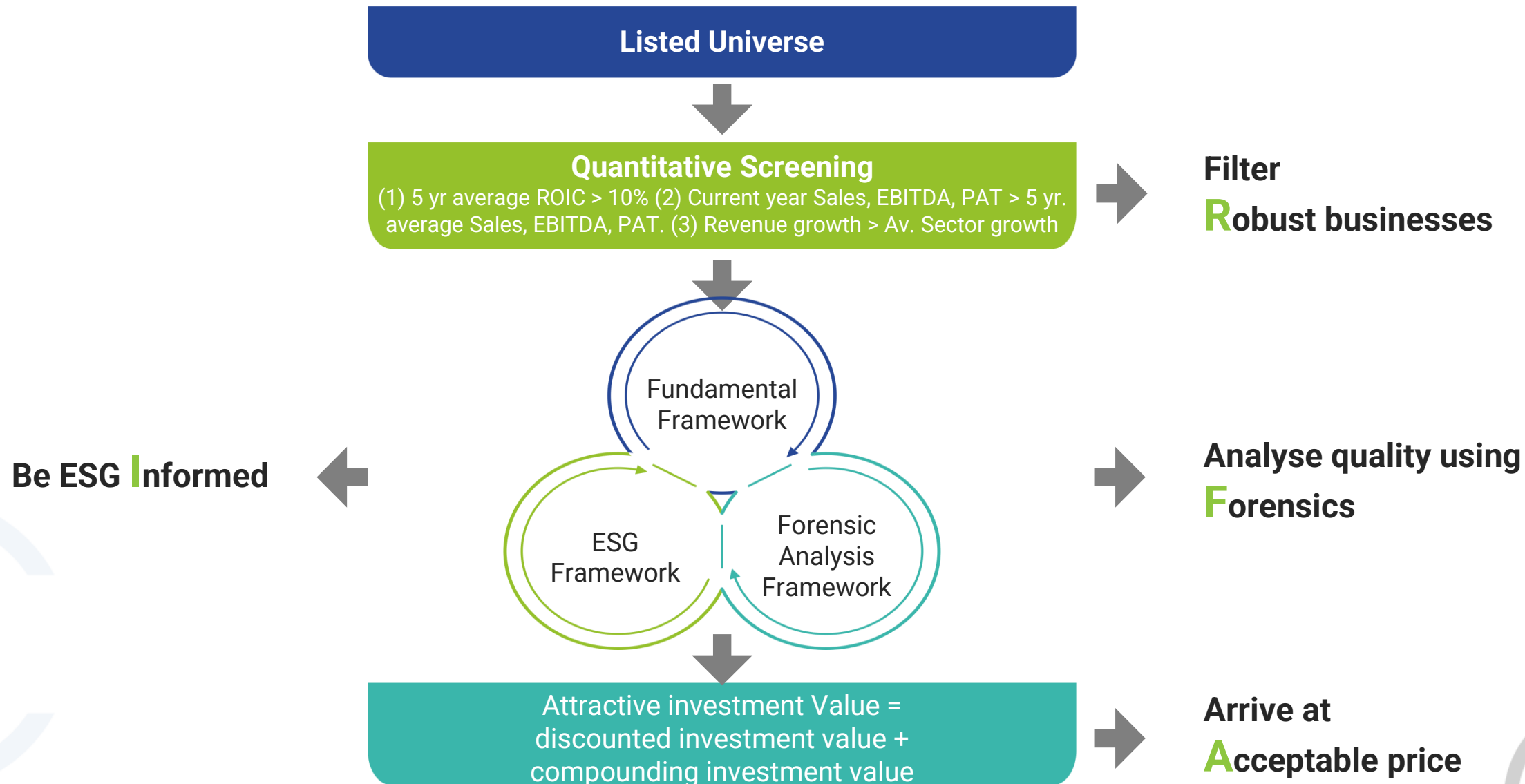
Be informed on ESG factors for businesses that we like to invest and its impact on the environment and humans at large



## Robustness

Pick well managed businesses having scalable opportunities and superior return on capital employed

# Our investment process





# Risk Management at each level of investment process

Risk management is core to our strategy at each level of investment process

Investment  
Process



Idea Generation/  
Research



Portfolio Construction/  
Monitoring



Trading

Risk  
Management

- Quality
- Corp. Governance
- Price
- Liquidity

- Reg. Guidelines
- Sell Discipline
- Portfolio Risk
- Residual Macro Bets

- Best Price Monitoring
- Liquidity Monitoring

# What we don't do



Not doing something is an active call and very important factor in investing

**01**

## Take out-sized sector bets

Earnings of every sector goes through cycles and over longer period it is in-line with broader market earnings. Hence, we avoid out-sized sector bets unless it is mandate of the fund

**02**

## Macro calls

Macro calls may not work all the time given dynamic nature of our markets today compared to what they were in the past

**03**

## Cash-calls

Timing the market is difficult and hence, we keep our portfolios fully invested

# Disclaimer



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