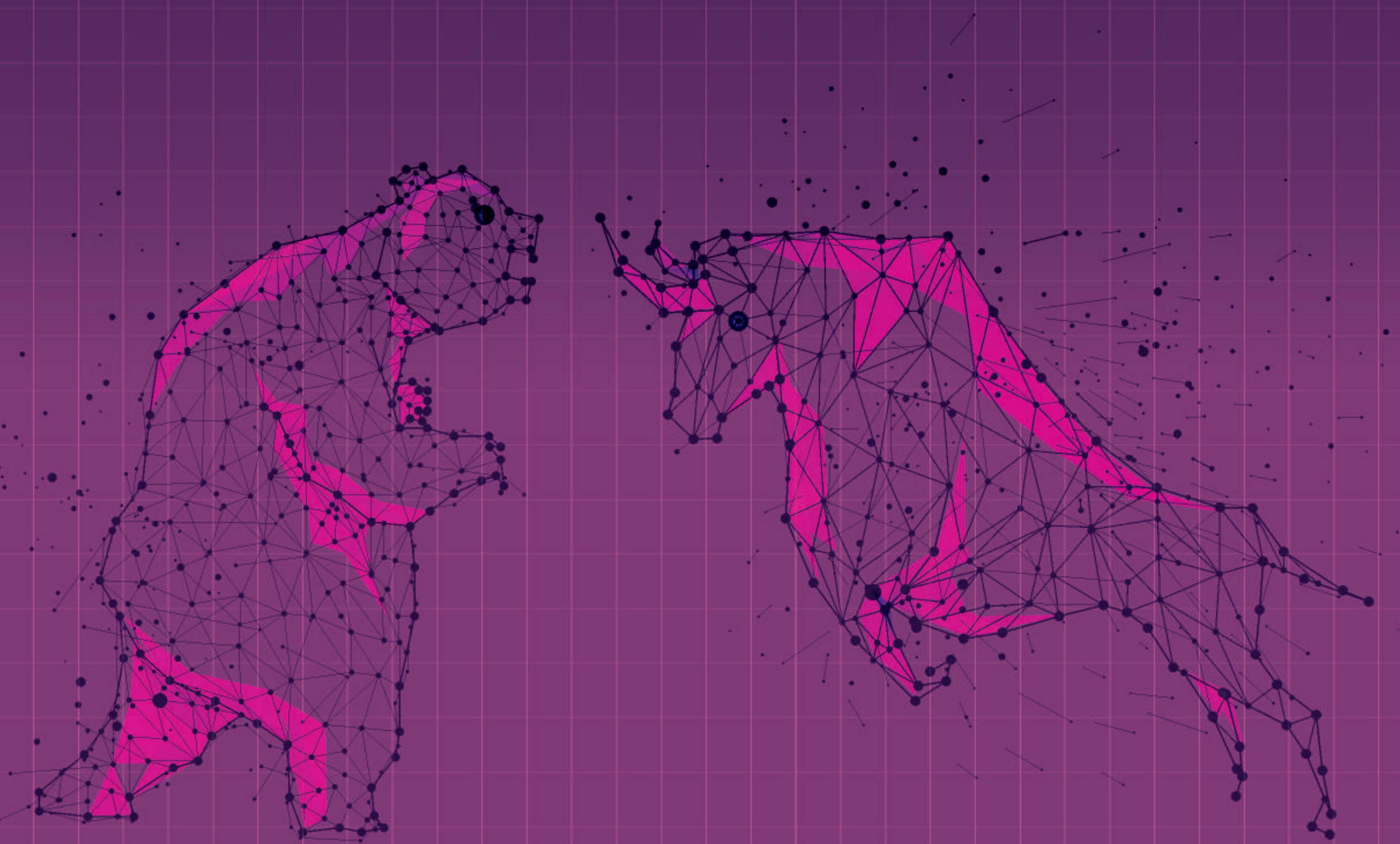
AnandRathi
Private Client Group
Equity

FINANCIAL FLASH

February 2021



Index

PCG Communique

The year 2021 has started on a strong note with the market touching a new high Nifty touching the peak of 14750 and Sensex @ 50000 marks. It is difficult to digest that Sensex is touching the mark of 50,000 at a time when the pandemic is not yet over and global economies are still to attain normalcy. FII after two consecutive months of buying more than 40k CR has reduced the pace of buying in the Indian market and were a net buyer of 8980CR in Jan 2021. In the last 5 days of Jan, FII was Net sellers 12730CR.

Owing to the superior earnings performance of several listed companies, the market is trading at historically high valuations when compared to its long-term averages. If there is one thing the market has taught us in history, is not to ignore the valuations. Also, one must note that the major tops in the markets have been mostly made in the JFM quarter. In the meantime, the price rise in several commodities is threatening to impact the margins in the coming quarters for several industries. An increase in steel price leading to a price rise in cars by Maruti Suzuki is just a point in case. One will have to watch closely how the dynamics shape up between the commodity prices and margins for several manufacturers.

Most of the stocks are currently trading at their lifetime high PE. Sustaining these sky-high PE is a question mark. A large pool of liquidity is chasing few quality stocks and therefore higher multiple to these stocks. IPO of many companies is a company with some crazy valuation. An established player like Asian Paint which has a market share of 47% in the decorative paint business is trading at PE of 88 and the IPO of INDIGO paint has priced @ 130 PE with a 2% market share in the decorative paint business.

With these stretched valuations one has to remain cautious on market and has to look for an opportunity to buy value stock rather than chasing for growth at such sky-high valuations. With the vaccine out and countries looking to vaccinate their citizen, normalcy will come sooner or later. We believe a certain portion of the portfolio has to be in cash where we should wait for the opportunity to buy quality at a reasonable price.

With the GST collection figure of Dec stood @ 1.15 lakh CR and Jan collection stood @ 1.20 lakhs CR which is above the pre-Covid levels shows that economy has almost recovered and the 3rd Qtr result announced by most of the companies are above or in line with the expectation. Going forward we are optimistic on the 4th quarter numbers of most of the companies and firmly believe that the corporate results of the 1st and 2nd Qtr of the next FY will be far superior to the results of the companies in the same period of FY 20-21, as we were under lockdown in the 1st & 2nd quarter of 20-21 and at present, the economy is completely open. Hence we are very optimistic on the market with a note of cautious understanding of the valuation of most of the companies.

The current Market VIX is 23 and we expect the index to amid rising volatility. Buy on declines would be the prudent strategy as the possibility of profit booking at higher levels cannot be ruled out which would offer incremental buying opportunities to ride the next leg of the up move.

Our advice would be to look for companies with lower Debt to Equity ratio or negligible debt, high cash flow, and companies where the ROE & ROCE is more than 15.

I would like to conclude it with one of the famous quotes of Benjamin Graham;
"Successful Investing is about managing risk and not avoiding it".

From the Desk of the PCG Head
Rajesh Kumar Jain

Market Commentary

Markets were volatile throughout January as profit booking was witnessed during the month before the union budget. Benchmark indices, S&P BSE Sensex and Nifty50 both declined 3.1% & 2.5% respectively, to settle at 46285.77 and 13634.60, respectively, at the end of January.

Markets started the month on an optimistic note as sentiments got a boost after the Drugs Controller General of India (DCGI) granted restricted emergency use authorization for the Serum Institute of India (SII)'s Covishield and Bharat Biotech's Covaxin vaccines against COVID-19. Also, Union Minister of State for Health and Family Welfare Ashwini Kumar Choubey stated that India will become corona-free. Markets extended gains with Minister of State for Finance Anurag Thakur's statement that the central government is making efforts to turn India into a manufacturing and export powerhouse. However, market participants booked some profit off the table as traders turned cautious with the World Bank in its Global Economic Prospects report has stated that India's economy is estimated to contract by 9.6 percent in the FY21.

The optimism continued with reports that India's exports grew 16.22 percent YoY to $6.21 billion in the first week of January, mainly driven by healthy growth in pharmaceuticals, and engineering sectors, reflecting signs of revival. Imports during January 1-7 this year too increased by 1.07 percent to $8.7 billion as against $8.6 billion in the same period of 2020. Markets extended rally as ICRA projected that India's GDP will record a double-digit expansion of 10.1 percent in the upcoming fiscal year. It also expects the monetary policy to be changed to neutral from accommodative in the August 2021 Policy review or later. Selling on the final day of the second week pared most of the weekly profit as rating agency CRISIL's report which projected CPI Inflation at 6.4% for fiscal 2021 (FY21).

The markets ended the volatile third week of trade in red terrain frontline gauges breaching their crucial 48,900 (Sensex) and 14,400 (Nifty) levels. Traders took support from a report that investment through participatory notes (P-notes) in the domestic capital market rose to a 31-month high of Rs 87,132 crore at December-end, reflecting the bullish stance of FPIs. However, selling in the final two days of the week dragged benchmarks below their respective crucial levels, as traders turned cautious amid reports of a fire in the Serum Institute of India plant in Pune. Though, officials have said the Covid vaccine production has not been affected by the fire and this is not the building where the Covishield vaccine is being manufactured. Sentiments remained downbeat with India Ratings and Research (Ind-Ra) stating that the major focus of the government to revive the COVID-19 battered economy has till now been on the supply side, but it is high time to change gears and focus on the demand side as well, lest the ongoing recovery begins to lose steam.

In the final week of the month, the markets witnessed a sharp decline as investors chose to book profits ahead of the Union Budget. India's Foreign Direct Investment (FDI) saw a significant jump in November 2020. FDI data released by the Commerce Ministry shows that total FDI in November 2020 grew by a whopping 81 percent to $10.15 billion against $5.6 billion in November 2019. On the final day of the week, markets witnessed a sharp fall, after the Economic Survey 2020-21 said that

India's GDP is estimated to contract by 7.7 percent during the current fiscal. According to the survey, the real growth rate for FY22 was assumed at 11.5 percent based on IMF estimates.

In terms of economic performances, the IHS Markit India Manufacturing Purchasing Managers' Index (PMI) for January reflected the strongest improvement in the health of the sector in three months. The PMI index came in at 57.7 in January from 56.4 in December & remained in the expansion zone. Reading above the 50 marks indicates growth.
The Nikkei/IHS Markit Services PMI moved to 52.3 in December from 53.7 in November. The output of eight core infrastructure industries contracted in December, the combined index of eight core Industries stood at 133.8 in Dec 2020, declining by 1.3% YoY. While coal and electricity witnessed growth, crude oil, natural gas, refinery products, fertilizers steel, and cement recorded negative growth in December.

India's retail inflation, measured by CPI was 4.59% in December and lower than 6.93% in November, mainly due to a decline in food prices. The inflation figure in December has come within the upper tolerance level of the RBI's inflation target (4% with +/- 2%). Also, India's wholesale price index (WPI) based inflation declined to 1.22% from 1.55% in November.
Regarding export-import activity, India's exports exhibited negative growth of 0.14% year over year at $27.15 billion in December while imports increased by 7.56% year over year to $42.6billion. The Goods and Services Tax (GST) collection in January recorded an all-time high at Rs. 1,19,847 crore, 8% higher than in the same month last year.

Also, India's foreign exchange reserves increased by $1.09 billion to $585.33 billion in the week ended January 22, foreign currency assets (FCAs), a key component of the overall reserves increased by $685 million. Additionally, Foreign Portfolio Investors (FPIs) were net buyers of Rs. 14,631 crores in January, driven by strong net inflows in the equity of Rs.19,473 crore.

On the global front, The Fed left interest rates unchanged as widely expected and revealed its plans to maintain its asset purchase program at the current pace. The central bank did not provide additional clarity about the outlook for its bond purchases. The Fed's statement reiterated the assertion first made last month when the Fed said it will maintain asset purchases at the current rate until substantial further progress has been made toward its goals of maximum employment and price stability.

In the labor market, fell to 847,000, a decrease of 67,000 from the previous week's revised level of 914,000. The street had expected jobless claims to drop to 875,000 from the 900,000 originally reported for the previous week. After reporting a substantial rebound in U.S. economic activity in the third quarter, the Commerce Department released a report showing economic growth matched street estimate in the fourth quarter of 2020. The Commerce Department said real gross domestic product jumped by 4.0 percent in the fourth quarter after skyrocketing by 33.4 percent in the third quarter. The continued GDP growth came in line with expectations.

Meanwhile, the economic activity in the US manufacturing sector slowed in January as per Institute for Supply Management (ISM) report, manufacturing PMI stood at 58.7 in January, down from 60.7 in December. However, this figure indicates expansion in the overall economy for the ninth straight month after a contraction in April 2020.

In Eurozone, manufacturing sector growth was down slightly in January. IHS Markit's Manufacturing PMI rose to 54.8 in December from 55.2 in December. As per the report of the global data firm, manufacturing is providing important support to the economy as the service sector is hit by COVID-19 restrictions, but this support is waning. Consumer goods producers in particular are struggling. While prospects brightened, with manufacturers' optimism striking a three-year high in January to sound a reassuring note of confidence at the start of the year, any potential delays to the vaccine roll-outs will add a layer of uncertainty to the outlook.

In Japan, the manufacturing sector contracted in January. The final au Jibun Bank Flash Manufacturing PMI stood at 49.7 in January compared to 50 in December. Despite a return to growth in new orders for the first time since December 2018, falling output and employment levels and rising cost pressures dampened operating conditions, au Jibun Bank said.

Regarding China, the National Bureau of Statistics reported that the official manufacturing PMI for January came in at 51.3, down from 51.9 in December. The country's non-manufacturing PMI, which gauges sentiment in the services and construction sectors, showed a slower expansion, decreasing to 52.4 in January from 55.7 in December.

Going Ahead

Global market sentiments reflect optimism, given the success in several COVID-19 vaccine distribution & vaccination. The new administration in the US is showing resolve to restore multilateral frameworks and provide further stimulus to rejuvenate growth in the country.

Back home, the Indian union budget 2021 has proved to be an innovative and game-changer budget. The Hon'ble Finance Minister has tried to revive the economic sentiment by presenting a growth-oriented budget that has emphasized boosting investment both in public and private sectors. It was the first digital budget in the history of India, including measures for the privatization of banks and rejuvenate the Indian financial sector including addressing issues such as non-performing and doubtful loans, improving source of longer-term funding for infrastructure projects, capitalization of public sector banks, and setting up of an entity to address the stressed assets of banks. Further, the government has taken a bold step to increase the fiscal deficit at 6.8 % of GDP and has assumed market borrowing of Rs 12 lakh crore for FY22. This has an impact on the increase in G-sec yield. However, RBI may go for OMOs to ensure a lower interest rate regime. The markets are likely to remain positive.

Macro indicators hints for green shoots in economic recovery, however, sustenance of such improving trends over the next few months remain key factors to monitor. Among others, investors will keep a tab on results and management commentary of the Q3FY21 earnings season which have been largely encouraging to date.

We believe that continued fiscal and monetary stimulus, investment in infrastructure, government spending, policy reforms, and gradual momentum in demand and consumption from continued restarting of business activities should support economic recovery. Also, the rural recovery should be faster given improving trends in areas such as agricultural and allied activities.

As markets continue to tread with optimism post-budget, we advise investors to remain invested in healthy growth and value-oriented companies with quality management to create long-term sustainable wealth.

Equity Outlook

Indian equity markets corrected in Jan 2021. Benchmarks S&P BSE Sensex and Nifty 50 fell 3.1% and 2.5%, respectively, in January 2021. The equity markets ended in a negative zone in January 2021 as investors remained cautious ahead of the union budget due on February 1, 2021. Reports of tension on the Indo-China border, weaker-than-expected earnings from a market heavyweight, and selling by domestic institutional investors (DIIs) for the fourth consecutive month added more pressure. They aggressively sold equities worth Rs119.7 billion in January 2021 compared to net selling of Rs372.9 billion in December 2020; mutual funds sold equities worth Rs157.3 billion till January 25, 2021, compared to net selling of Rs264.3 billion in December 2020.

Major Global Equities started the year on a somber note as many economies continue to lag in their fight against COVID with a shortage of vaccine availability and emergence of various mutant virus strains in many parts of Developed Markets. Indian Equity Markets (Nifty 50 Index) too ended on a negative note with -2.5% returns. Markets traded cautiously with an eye on factors such as –Spread of COVID in Developed markets, vaccine availability, and growth concerns as many economies continued to witness national lockdowns.

On the domestic front, Indian markets traded cautiously ahead of Union Budget and Q3FY21 earnings. India continues to witness a decline in daily COVID cases and several deaths since Sep-20 (peak). The Union Budget presented on Feb 1, cheered market participants as it highlighted Govt.'s intent and efforts to re-kindle Growth while worrying less about near term fiscal position. Various measures to boost Infrastructure, Capex, and Consumption were announced. On the macro front, December CPI inflation came in at 4.59% against 6.93% in November. Forex Reserves stood at the US $585.3bn as of January 22. In sectoral trends, sectors like Auto & Telecom were outperformers while Healthcare & Energy were key laggards.

The Budget announced resonates with our view mentioned in our Outlook for 2021, wherein we highlighted that the economic environment is becoming more conducive for a Business Cycle Recovery. We continue to remain positive on sectors that are closely linked to the economy like Banks, Capital Goods, Infrastructure, Metals & Mining, etc. We believe the current market rally may continue till the following triggers play out -the US acknowledging inflation & in conclusion pausing stimulus, US Treasury Yields reaching 2%, Crude Oil touching 60-65$/bbl, which may lead to high inflation.

Focused Equity Mutual Funds and Returns

Large Cap	3 Years	5 Years	Since Inception
Axis Bluechip Fund Gr	15.87	16.84	13.05
Mirae Asset Large Cap Fund	10.56	16.80	15.70
Multi Cap			
Kotak Flexicap Fund	10.06	15.71	13.93
Large & Midcap			
Canara Rebeco Emerging Equity Fund	10.29	17.04	17.24
Invesco India Growth Fund	9.79	15.19	11.48

Source: Anand Rathi Internal Research.

Note: Such representations are not indicative of future returns.

Debt Outlook

Gilts prices ended slightly lower in January with the yield on the 10-year benchmark 5.77% 2030 paper settling at 5.95% on January 29, 2021, compared with 5.90% on December 31, 2020. Interbank call money rates remained below the Reserve Bank of India's (RBI) repo rate of 4% in January owing to surplus liquidity in the system. Bank deposit and credit growth rose 11.4% and 6.3% on year respectively in January 2021, compared with 11.3% and 6.1%, IN Dec 2020.

The Budget 2021 could rightly be called the Growth Budget. The Government deviated from the fiscal deficit roadmap and opted for a new framework to accommodate additional expenditure to support & stimulate the economy. The government expects nominal GDP growth for fiscal 2022 at 14.4% and pegs fiscal 2021 deficit at 9.5% of GDP. On a YoY basis, FY21 saw a sharp increase in govt. expenditure (+28% YoY) as govt. had to support the economy post-pandemic hit. In FY22 govt. is maintaining the absolute expenditure at elevated FY21 levels (+1% YoY). Govt. expenditure as %age of GDP is also higher than normal at 15% (FY20 was 13%, FY21 being a Covid year was an aberration at 18%), thus giving precedence to growth over fiscal consolidation.

Market borrowing has gone smoothly for most of the FY2021 owing to RBI measures in the form of aggressive OMO purchases (including for SDLs), huge liquidity surplus, hike in HTM limit, etc. The government's plans to increase borrowing in the current financial year by Rs 80000 Crore to end the FY 21 gross borrowing at 12.8 Lakh Crore have taken bond markets by surprise which was contrary to the expectations of a lower fiscal deficit given the recent buoyancy in revenue collections. The benchmark 10 year Government Security jumped 15 basis points to end at 6.06% on Budget Day. The probability of a sovereign rating downgrade has not deterred the government to expand borrowings to support growth in the backdrop of the pandemic. However, the government has also indicated a slower-than-expected pace of fiscal consolidation path i.e. 4.5% fiscal deficit target by FY 26.

These measures may lead to the revival of the innate credit growth but also comes with the risk of inflation inching higher. Hence, monetary easing is expected to take a backseat. The RBI is also expected to continue to gradually normalize liquidity conditions. This coupled with an extensive borrowing calendar shall lead to interest rate volatility. There is the limited scope of rate cuts which was the major driver for returns in the past couple of years and thus, it's important to rationalize return expectations going forward.

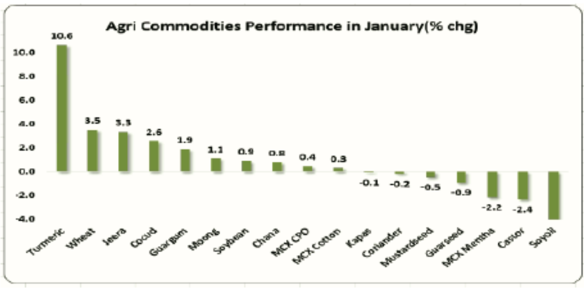
Focused Debt Funds with Returns	1 Year	3 Years	5 Years	Since Inception
SBI Magnum Medium Term Fund	10.51	9.49	9.83	8.21
ICICI Prudential Medium Term Fund	9.15	8.06	8.09	7.66
Kotak Medium Term Fund	6.70	6.67	7.41	8.21

Source: Anand Rathi Internal Research.
Note: Such representations are not indicative of future returns.

Commodities Outlook

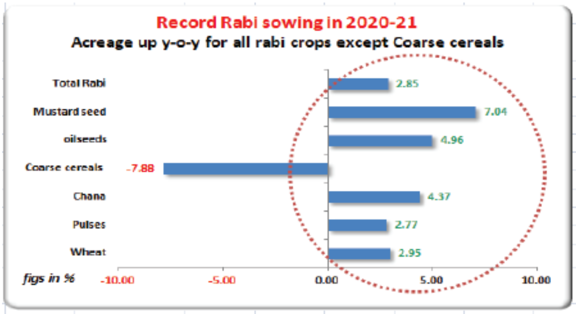
Peak Harvesting period ahead to keep Rabi grown commodities under pressure.

After the volatile year 2020, the beginning of New Year 2021 has been comparatively stable. Oilseeds and edible oils, the top gainers of 2020, did extend the gains in early January, but in the second half, prices erased most gains and settled with marginal losses.



January- February is the month when we see major transition in the demand supply fundamentals of rabi and kharif grown agricultural commodities. The supplies of kharif grown commodities like Soybean, Guar, Cotton etc starts diminishing gradually. On the other hand it is the beginning of harvesting of rabi grown commodities and thus supplies of the same increase gradually. So, January is the period when market participants generally watch out the developments of rabi crops, sowing numbers, weather scenario etc. Thus, we don't see any major price rally or a fall in the prices during this period as long as there is no sea change in sowing/ weather.

February is an important month from Indian perspective, as the finance ministry presents the Union Budget on the first day of the month. In the budget 2021, government has enhanced the agricultural credit target to 16.5 lakh crores in FY22 to provide adequate credit to



Source: AR Research, Ministry of Agriculture

farmers. From agri perspective key highlights were the reduction in the import duty of edible oils and Pulses and at the same time imposing agriculture infrastructure and Development cess. Exc ept CPO import duty on other edible oil and Chana and remain unchanged. While in cotton to discourage imports the duty is hiked from zero to 10%.

Coming back to the rabi crop scenario in India, picture is quite optimistic considering higher area under cultivation and favorable weather so far. As per the Ministry of Agriculture, India has achieved highest ever rabi coverage at 684.5 lakh hectares in 2020-21. Most leading rabi grown crops including Wheat, Chana, mustardseed, have seen a year on year rise in area under cultivation. Early sown can crop has started arriving in the mandis. Mustardseed harvesting will start in February. Accordingly, we may see negative undertone in these commodities.

Chana futures, after a roller coaster ride, have once again neared their pre-pandemic levels around 4400-4500 and are ruling much below the MSP of Rs 5100 per qtl. Thus despite peak harvesting period we don't see a substantial fall in chana. But as far as mustardseed is concern, yes their still scope for prices to fall. For spices, Turmeric has seen a stupendous rally in january after price breached a a yearlong consolidation phase. However, in case of turmeric too we don't see prices sustaining above 6750 levels at least in February amid harvesting pressure. For Jeera and Coriander, new crop as well as carry over is comfortable. In both these spices, we expect negative undertone to prevail in the month of February as well.

Talking about cotton, soybean and guar, all the three commodities have moved out from their peak supply period. Accordingly scope for upside is most likely, particularly for guar complex, considering their current low prices.

Edible oils still looks lucrative, expecting tight supplies to prevail at least in the first quarter of 2021 globally. China continues to grab US soybean amid delayed harvesting of the oilseed in Brazil and Argentina. First half of February will be positive for edible oils while we may see correction later in the month with harvesting of mustardseed commencing in India.

Fundamental actors are still bullish for bullion

MCX Gold finished January with more than 2% fall after it witnessed a mammoth rally of 4.7% in December. Not to mention, the yellow metal has appreciated by more than 28% in 2020. The fundamental back drop is strong for the bullion in February. Silver on the other side, rose by 2.5% amid social media driven short squeeze pushed US silver to the highest point since 2013.

According to the World Gold Council, gold Jewellery demand in 2020 dropped to its lowest annual level on record decimated by the combination of the global pandemic – with its resultant market lockdowns – and record high gold prices at a time of economic slowdown. But easing the lockdown restrictions, upcoming festival season in the China along with falling gold price may encourage traders in 2021 to go for fresh longs.

Silver is an industrial commodity. Silver is a critical component in solar panels. The US is on a greener energy path, which is likely to increase industrial demand for the precious metal. Simultaneously, silver is a highly volatile and speculative bullion metal.

From fundamental point of view, accommodative monetary and fiscal policies are highly inflationary. Record low short-term interest rates in the US and Europe and quantitative easing are inflationary. The erode currencies' purchasing power. Silver and gold have been inflation barometers throughout history. The Federal Reserve is actively encouraging a higher inflation rate. Inflation can be a challenging economic condition when it begins to rise. While the central bank is confident it can control future inflationary pressures, there's no guarantee. The growing money supply, increasing deficits, and declining currency values fundamentally support the bullion price in February.

OPEC's commitment & Biden's green plan to push oil even higher

MCX Crude oil for the third straight month in January ended with gains of approx. 8% amid OPEC+ commitment to support the market and US administration signalled green energy path to cut carbon emission.

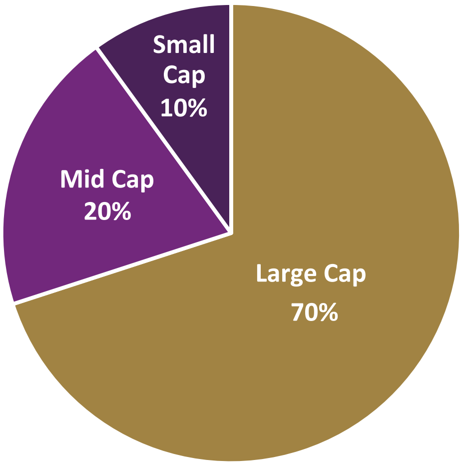
Saudi Arabia has pledged to slash an extra 1m barrels a day of oil output in February and March even as Russia moves to increase production, with the kingdom moving to keep the OPEC+ group's fragile alliance intact in the face of the coronavirus pandemic. A tighter oil market is also shaping up amid January data showed a big jump in Asian crude oil imports. Although new variants of coronavirus were detected globally, we expect that the pandemic will ease in the coming months as more people are vaccinated. As life slowly ebbs back toward normalcy over the next several months, oil prices will continue to stay strong in February.

Recovery in China's economic activity to underpin the metals

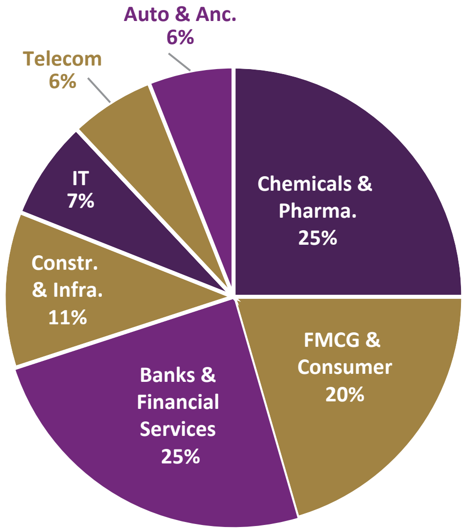
Base metals witnessed a mixed session where aluminium and zinc slipped, nickel and led appreciated more than 3% in January. There were signs of mounting supply tightness in the copper market. Inventories on the bourse are approaching the lowest level since 2005, in a sign that primary producers are struggling to meet demand. We expect the outperformance in copper to continue in coming sessions also. Zinc is the weakest performer in January among the six main base metals, and prices ended last week at their lowest in almost three months after inventories surged in London. Prices for Nickel, which is used in stainless steel and electric-vehicle batteries rose on the London Metal Exchange. Meanwhile, China reported manufacturing PMI for January at 51.3 against 51.9 a month ago. The expectation of continued strength in China's economy, leading to faster growth in consumer disposable income; Chinese policy makers have positioned domestic consumption as a priority in coming years; and COVID-19 is widely expected by those in the trade to remain well contained in China. Hence overall outlook for base metals is positive in February also.

Model Portfolio

Market Cap. wise Allocation (Conservative Portfolio)



Sector wise Allocation (Conservative Portfolio)



Portfolio Constituents

Large Cap	% Weight
HDFC Bank Ltd.	6.0%
Hindustan Unilever Ltd.	7.0%
HDFC Ltd.	6.0%
Bharti Airtel Ltd.	6.0%
HCL Technologies Ltd.	7.0%
Ultratech Cement Ltd.	6.0%
HDFC Life Insurance Ltd.	6.5%
Divi's Laboratories Ltd.	6.5%
SBI Cards And Payment Services Ltd.	6.0%
Hero MotoCorp Ltd.	6.0%
Tata Consumer Products Ltd	7.0%

Portfolio Constituents

Mid Cap	% Weight
AartiIndustries Ltd.	7.0%
VinatiOrganics Ltd.	6.5%
Crompton Greaves Consumer Electricals Ltd.	6.5%

Small Cap	% Weight
Hikal Ltd.	5.0%
KEC International Ltd.	5.0%

Source: Anand Rathi Internal Research.
Note: Basket / Portfolio is Equal-weight with a monthly rebalance strategy

Anand Rathi PMS

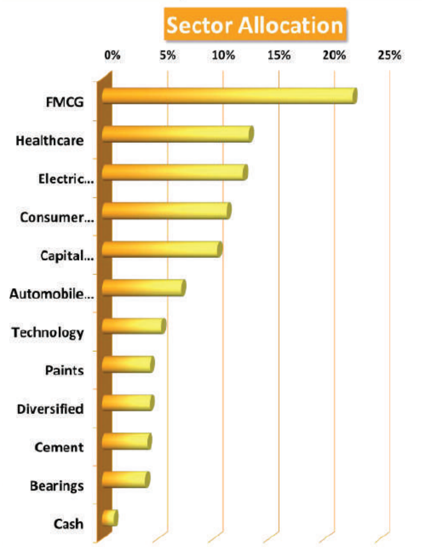
MNC Portfolio

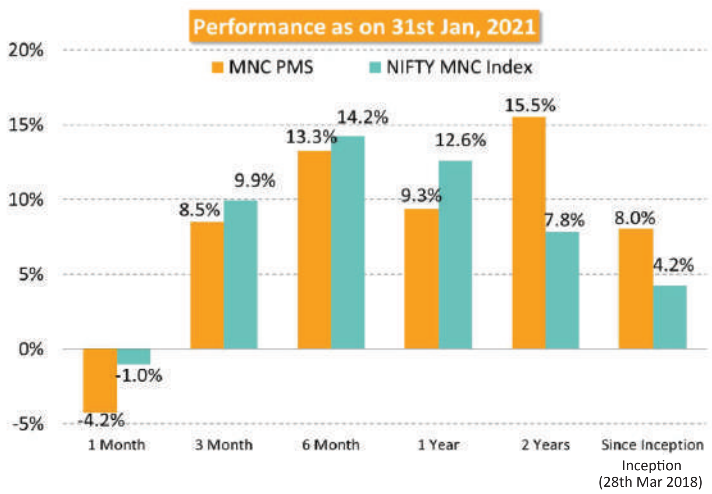
Focus on consistency of return and risk moderation by investing in Multinational Companies listed in India. Investments into listed companies in India in which the foreign shareholding is over 50% and/or the management control is bestowed in foreign company and/or the technological and managerial know-how brought in by foreign partner/investor.

Strong Business model	MNC benefits from a) Innovation b) Strong R&D c) Advanced Technology d) Strong Brand/Product e) Economies of scale
Strong Corporate Governance	MNC's are generally rated high for their corporate governance standard. They depict high transparency and accountability with well laid out policies and regulatory framework, internal control and risk management
Healthy Balance Sheet	Most MNC's have a) Better operating ratios b) Zero Debt or Low debt /Equity c) Positive Free Cash flow d) Healthy Return ratio
Special opportunity	MNC companies sometime carries an additional trigger for value appreciation in form of corporate actions like open offers, Buybacks and Delisting etc. This usually add substantial appreciation to the share price enhancing investors ROI

Top Holdings and Allocation

Sr No	Top 10 Holdings	% Holdings
1	Honeywell Automation India Ltd.	7.5%
2	Maruti Suzuki India Ltd.	7.1%
3	Whirlpool Of India Ltd.	6.5%
4	Coforge Ltd.	6.4%
5	Hindustan Unilever Ltd.	6.0%
6	KSB Ltd.	5.6%
7	Nestle India Ltd.	5.4%
8	Pfizer Ltd.	4.9%
9	Grindwell Norton Ltd.	4.8%
10	Bata India Ltd.	4.7%





Source: Anand Rathi Internal Research.
Note: Such representations are not indicative of future returns.

Data as on 31st Jan, 2021

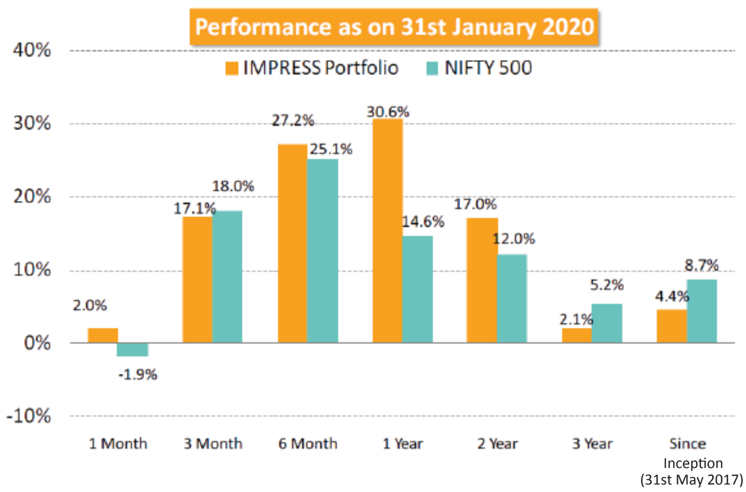
Anand Rathi PMS
Impress

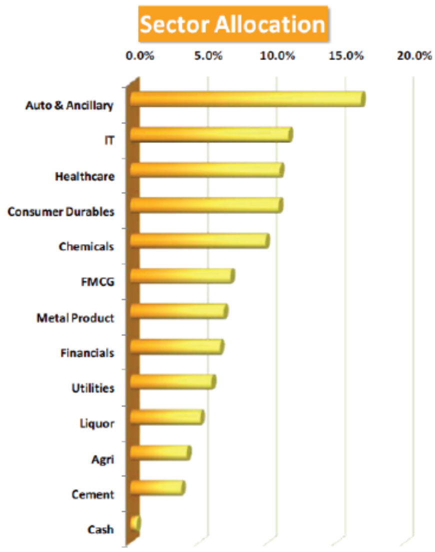
Focus on Return Optimization by investing in multicap portfolio of rising enterprises with sound corporate track record and sustainable business model keeping balance between value and growth strategy.

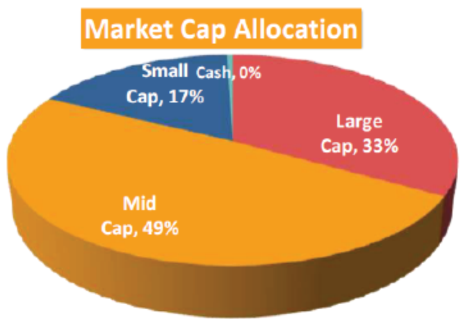
Business model	Improving Market Share, Leadership and Niche Market
Rising Enterprises	Stable and Improving Margin and Improving ROE and ROCE
Sustainability	Visibility of Earning Over Next 2-3 Years and Predictable Business Model
Sound Corporate Track Record	Management Background and Accounting & Corporate Policies

Top Holdings & Market Cap Allocation

Sr No	Top 10 Holdings	% Holdings
1	Ceat Ltd.	7.90%
2	Tata Consumer Products Ltd.	7.28%
3	Crompton Greaves Consumer Electricals Ltd.	6.90%
4	Ratnamani Metals & Tubes Ltd.	6.82%
5	Mindtree Ltd.	6.58%
6	Galaxy Surfactants Ltd.	6.03%
7	Somany Ceramics Ltd.	5.93%
8	Radico Khaitan Ltd.	5.10%
9	TVS Motor Company Ltd.	5.02%
10	Coforge Ltd.	4.97%







Source: Anand Rathi Internal Research.
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Data as on 31st Jan, 2021

Purnartha

EQUITY RESEARCH AND INVESTMENT ADVISORY

OUR INVESTMENT PHILOSOPHY

Our Investment Approach is to build a broad based portfolio of selected Equities of Companies based on our very robust research process.

Typically, we hand pick stocks of:

1. Companies that are likely to show volume growth typically across all cycles

2. Companies having owners' skin in the game

3. Companies that have strong balance sheet

We are market cap agnostic and sector agnostic and we typically create a "Multi Cap Portfolio" with a potentialfor growth.

Purnartha, its directors and employees have full conviction in its investment philosophy and invest in the same securities that are recommended for the clients.

Universe Building Non Negotiable Philosophy which Grows and evolve with time

We select companies that fulfill the following criteria:

• Companies with minimum 11 years of operations history

• Companies that have demonstrated consistency.

Sales growth - demonstrates pricing power and strong brand pull

Volume growth - shows that the management has customer centric products, capability to launch new products and manage scale

Operating cash flow growth - gives a good visibility on payment terms to vendors and suppliers, strengthening the balance sheet

• Companies that have **grown** 1.5x to 3x times the GDP growth in the past 10 years and are likely to show similar growth in the future.

• Companies that have regularly enjoyed a **lower debt or debt free status** and have **high management holding** (ensuring a leanbalance sheet, less vulnerable to fall, which otherwise happens due to high retail holding)

• Companies that have **lower drawdown and faster recovery** (since the businesses are closely linked to consumption, they exhibit lower drawdown in unforeseen situations and higher recovery due to the strength during drawdown)

Companies that have built a portfolio cheaper than the Index on **EV/OCF basis** (captures the valuations/cash flow yields this indicator captures business attractiveness in term of yields when compared with benchmarks like Nifty/Bond /FD

Fall and rise in the markets: the dynamics

When markets go down, we fall too.

When markets recover, we recover faster and with a larger margin.

What you buy is important; Very important.

How much you buy is 100x important.

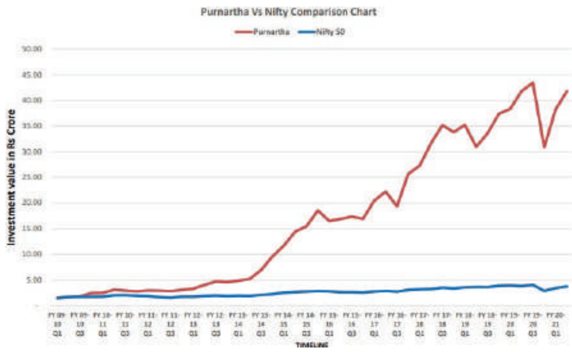
How long you hold is 1,000 times important.

The power of compounding: Rs. 25 lakhs invested at 25% return grows to Rs. 100 crores in 27 years!

• Min 11 years' operating history
• Volume growth of 10% + sales growth of 20%
• Operating cash flow growth of 20%
• Net cash balance sheet (for a non- financial company)
• Promoter's skin in the game

Purnartha advisory's performance snapshot

Rs. 1cr INVESTED WITH PURNARTHA IN 2009 BECAME Rs. 41.80cr v/s 3.72cr WITH NIFTY.



Client Portfolio Returns as on 31-12-2020

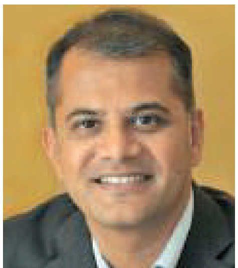
		PURNARTHA		NIFTY	
Tenure	Date of Inception	Absolute Returns	CAGR	Absolute Returns	CAGR
6 Years	05-Jan-15	241.78%	22.73%	66.54%	8.87%
5 Years	05-Jan-16	193.84%	24.05%	79.45%	12.40%
4 Years	03-Jan-17	133.24%	23.66%	70.94%	14.34%
3 Years	03-Jan-18	40.15%	11.90%	33.90%	10.21%
2 Years	01-Jan-19	44.91%	20.37%	28.72%	13.45%
1 Year	07-Jan-20	18.33%	18.33%	16.58%	16.58%

About Marcellus

Marcellus Investment Managers was founded in 2018 and currently has c.US$300m in assets under management and advisory. The founders have worked together for the past 15 years.

Saurabh Mukherjea, CFA - Chief Investment Officer

- Former CEO of Ambit Capital assets under advisory were $800 mn
- Author of three bestselling books Gurus of Chaos 2014 The Unusual Billionaires 2016 and “Coffee Can Investing 2018
- Co founder of **Clear Capital,** a London based small cap equity research firm which he and co-founders created in 2003 and sold in 2008
- MSc in Economics from **London School of Economics**
- Member of SEBI’s Asset Management Advisory Committee



Pramod Gubbi, CFA - Head of Sales

- Formerly, MD Head of Institutional Equities at Ambit Capital
- CEO of Ambit Singapore
- Tech analyst at Clear Capital and also worked in the tech industry HCL Technologies and Philips Semiconductors
- Post graduate in Management from IIM Ahmedabad
- B Tech from Regional Engineering College, Surathkal (NIT, Karnataka)

Rakshit Ranjan, CFA - Portfolio Manager

- Formerly, Portfolio manager of Ambit Capital 's Coffee Can PMS, which was one of India's top performing equity products during 2018
- Ambit's consumer research head, voted as No 1 for Discretionary Consumer and top 3 for Consumer Staples
- At Clear Capital ranked amongstthe top 3 UK Insurance analysts
- B Tech from IIT

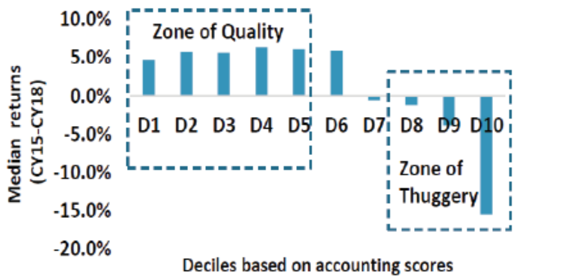
Key steps for identifying consistent compounders

Step 1: Identify companies with clean accounting

Ten forensic accounting checks used to identify naughty companies.

Category	Ratios
Income statement checks	1) Cashflow from operations (CFO) as % of EBITDA 2) Volatility in non operating income 3) Provisioning for doubtful debts as a proportion of debtors overdue for >6 months
Balance sheet checks	4) Yield on cash and cash equivalents 5) Contingent liabilities as % of Networth (for the latest available year) 6) Change in reserves explained by the profit / loss for the year and dividends
Auditor checks	7) Growth in auditor’s remuneration to growth in revenues 8) Miscellaneous expenses as proportion of total revenues 9) CWIP to gross block
Cash theft checks	10) Free cash flow (cashflow from operations cashflow from investing) to median revenues

Strong correlation between accounting quality and shareholders’ returns



Note: Returns above represent median of decile-wise median returns calculated for every year from CY15 (accounting scores based on FY15 financials) to CY18 (accounting scores based on FY18 financials).

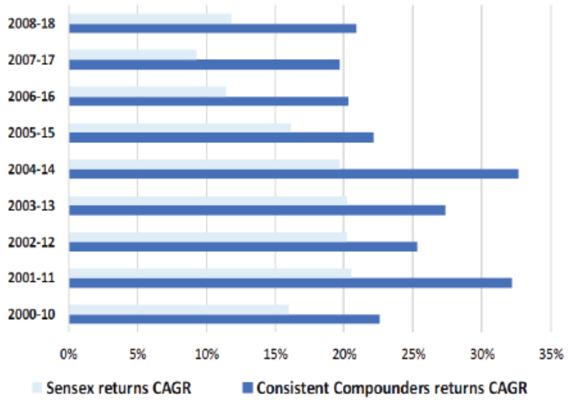
Methodology: We look at over six years of consolidated financials for the universe of firms. Wefirst rank stocks on each of the 10 ratios individually (outlined in the table on the left) These ranks are then cumulated across parameters to give a final pecking order on accounting quality for stocks.

This framework draws upon Howard Schilit's legendary text on forensic accounting, "Financial Shenanigans".

Step 2: Identify companies with superior capital Allocation

We create a list of stocks using a twin-filter criteria of double digit YoY revenue growth and return on capital being in excess of cost of capital, each year for 10 years in a row.

Next, we build a portfolio of such stocks each year and hold each of these annual iterations of portfolios for the subsequent 10 years (without any churn). The bar chart on the right shows the back testing performance of such a filter based portfolio.



Source: Bloomberg. Note: Only the Consistent Compounder Portfolios which have finished their 10 year run have been shown. Note: These are total shareholder returns in INR terms.

There are two conclusions from this exercise:

- This filter based portfolio delivers returns of 20-30% p.a. (of INR returns) and 8-12% out-performance relative to the Sensex.
- The volatility of returns of such portfolios, for holding periods longer than 3 years, is similar to that of a Government of India Bond.

Returns here (both for our portfolio and for the Sensex) are on a Total Shareholder Return basis i.e. all dividends are included in the returns.

step 3: Identify companies with high barriers to entry

In depth bottom up research of companies which pass our filters to assess sustainable competitive moats and build a portfolio of 10 15 stocks which consistently compound earnings

What do we look for in our research?

- Look for managements with an obsessive focus on the core franchise instead of being distracted by short term gambles outside the core segment
- Look for companies which relentlessly deepen their competitive moats over time
- Look for promoters who are sensible about capital allocation, i.e. refrain from large bets (especially those outside core franchise) and return excess cash to shareholders

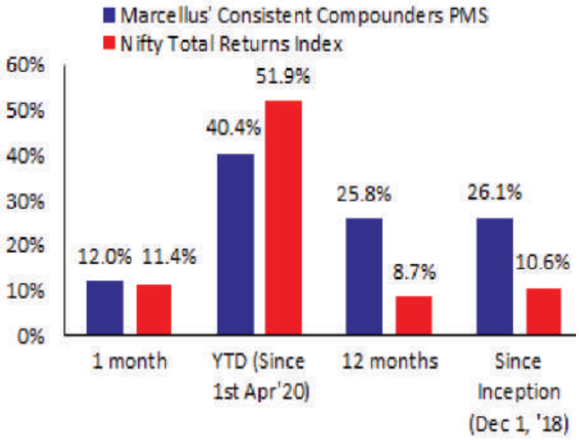
"Most companies tend to focus on short term results and hence that makes them frequently do things that deviate away from their articulated strategy these diversions take them away from the path they have to travel to achieve their long term goals" - **Rama Bijapurkar**
Leading market strategy consultant

In Most Sectors, the top 1- 2 Companies Account for 80% of the Profit Pie

Sector	Top 2-3 players Accounting for 70-80% of the Profit Pie
Paints	Asian Paints, Berger Paints
Small cars	Maruti Suzuki, Hyundai
Biscuits	Britannia, Parle
Cigarettes	ITC
Adhesives	Pidilite
Cooking oil	Marico, Adani
Hair oil	Marico, Bajaj Corp

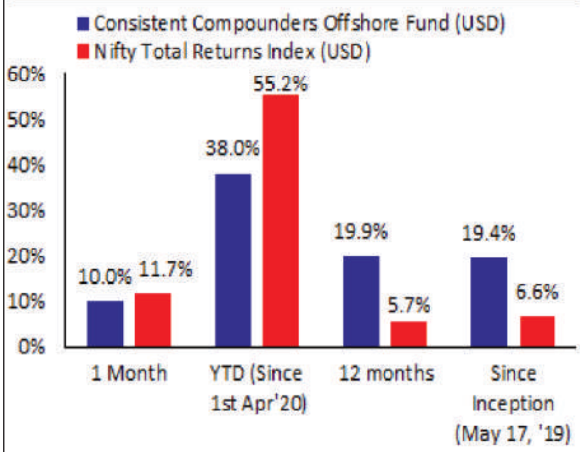
Fund performance (as on 30 Nov'20)

Exhibit 1a: Marcellus' Consistent Compounders PMS performance as on 30th Nov'20 (INR)



Source: Marcellus, Bloomberg; All returns are net of fees and expenses (TWRR / XIRR); Since inception returns are annualised; Other time period returns are absolute

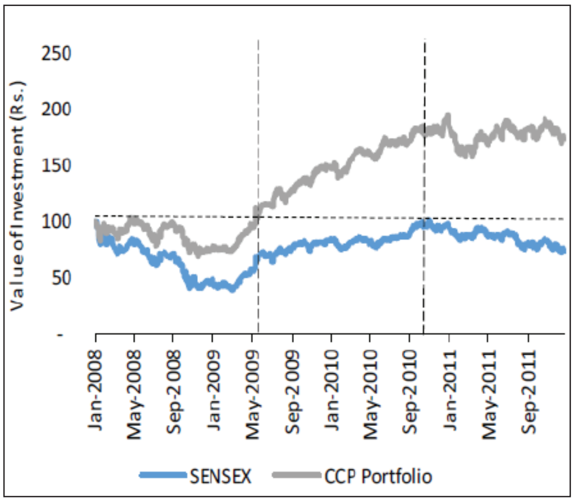
Exhibit 1b: Consistent Compounders offshore fund advised by Marcellus - as on 30th Nov'20 (US$)



Source: Marcellus; All returns are net of fees and expenses (TWRR / XIRR); Since inception returns are annualised; Other time period returns are absolute

Consistent compounders fall less and recover sooner and sharper

Exhibit 2: CCP portfolios recover much sooner and sharper compared to the broader stock market



Stock name	% fall between Jan'08 to Mar'09	Time to recovery (in months)
Asian Paints	-42%	4
CIPLA	-4%	1
HDFC bank	-53%	7
HDFC ltd.	-59%	18
Hero Motocorp	35%	N.A.
Infosys	-28%	3
SENSEX	**-61%**	**20**

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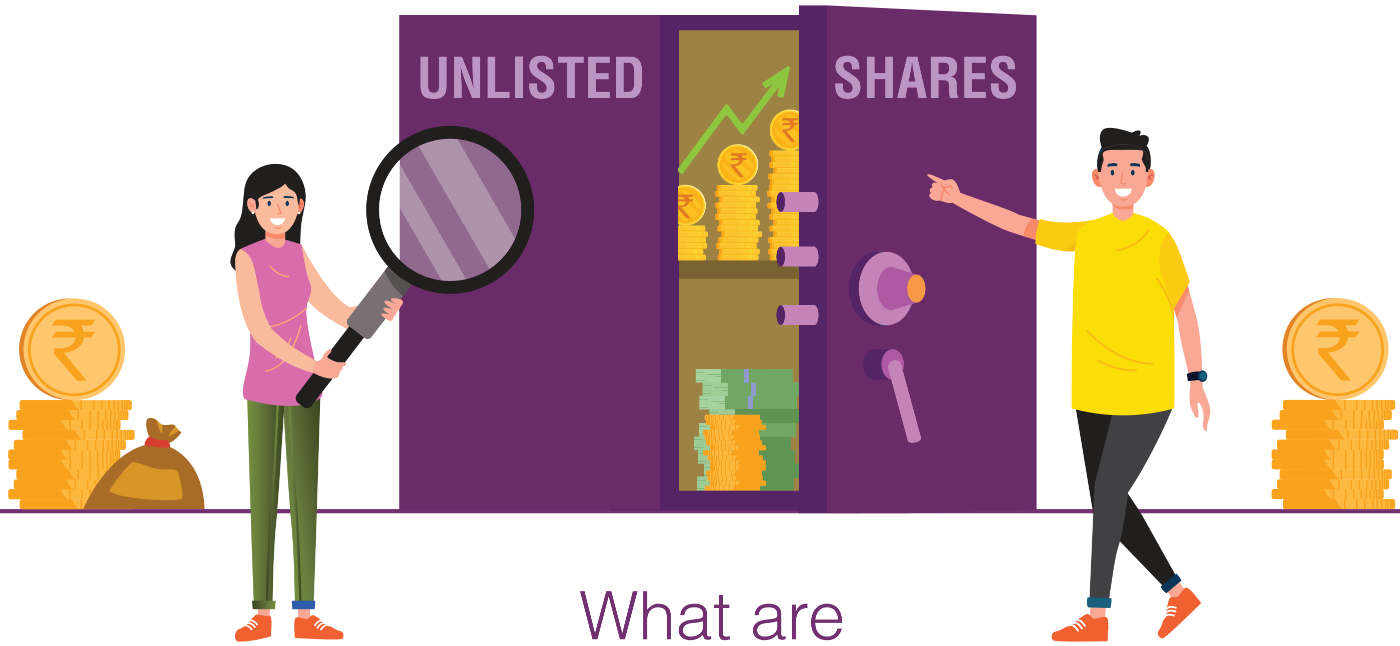

What are
Unlisted Shares*?

Unlisted shares is a financial instrument that is not traded on a formal exchange, Trading of unlisted shares is done in over-the-counter (OTC).

Reliance Retail | HDB Financial Services | Nazara | Chennai Super Kings | HeroFinCorp. | TATA Technologies

Carrier | Studds | Kurl-on | OTIS | Philips | CIAL

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Regd. Office: Express Zone, 10th Floor, A Wing, Western Express Highway, Goregaon (E), Mumbai - 400 063, Maharashtra. Tel: (022) 6281 7000. SEBI Registration No.: INZ000170832, Depository Participant: CDSL & NSDL - (IN-DP-437-2019). *These are not Exchange traded products and all disputes with respect to the distribution activity, would not have access to Exchange Investor Redressal Forum or Arbitration mechanism.
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FLASH

February 2021

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