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Index

PCG Communique

From the Desk of the PCG Head

Rajesh Kumar Jain

War, Inflation, Crude Oil & Volatility were making the headline and worries for the whole month of March. FIIs has been continuous seller for the whole of the month and were net seller to a tune of INR 43,281CR at the same time DII were net buyer to an extent of INR 39,677CR. I believe a lot of this FII outflow will either move to Bonds with rising yields and to other emerging markets or China understanding the valuation gap, India Vs the other emerging market Vs China which is relatively cheaper on the valuation front to most of the emerging market. Despite continuous selling from the FII for the last 6 months where FII's have sold >2 lakhs CR, the retail investor has shown their faith towards Equity as an asset class and has done continuous investments throughout the last 6 months.

I believe the risk to the market is when risks are unknown, which is what we have seen during Covid, Russia-Ukraine War, Crude going to $120. We don't see crude going to stay @ $100+ for a long time but the possibility of going to $60 is also not visible at least for the time being. What I foresee from here is most of the unknown risks are known to everyone and the market has absorbed most of these risks and shown its resilience to bounce from the low of 15700 to 17500. We are posting the Covid era now and things are back to normal. Although the Russia –Ukraine war is a prolonged atmosphere I foresight an end of it sometime very shortly as no country how big the economy is can't afford to be in a war stage for a long period and it has to be stopped at some point as along with their economy world economy is also taking a back seat.

The government's goods and service tax revenue collection for February surged to a record. The GST revenue for February (collected in March) stood at a little over INR1.42 lakh crore, according to a statement by the Finance Ministry. The month's revenue collections are 15% higher than a year earlier and 46% higher than the GST revenues collected for February in March 2020. The collection in Mar (for February) is an all-time high, breaching an earlier record of INR 1.41 crore collected in January 2022.

The current market scenario is a bit confusing. On the one hand, we are seeing the opening up of the economy while the domestic demand is strong at an aggregate level. At the same time, inflation is a concern both globally as well as locally. One of the reasons for this high inflation is the supply side constraint which is dominating the demand side and investors are struggling to ascertain where we are standing from a typical standpoint. Despite cost pressure, at an aggregate level, corporate profit to GDP may continue to rise in the next two years.

April is the month when most large-cap companies will be releasing their yearly & quarterly performance. It is very interesting to see how companies will be able to manage their bottom line with the rise in input prices. Companies that have been able to pass on the rise in input prices to the end customer with a volume uptick should surely be on the buy list of all investors. I firmly believe the sectors which will be aloof from this rise in input prices & high-interest rate regime will be IT, BFSI, Telecom & to an extent renewables.

Therefore, despite many sectors facing the risk of earnings downgrades, overall profitability at the headline index level is limited. We acknowledge that while the breadth of earnings revision may be on the downside, the current environment of decent growth with elevated cost pressure is where the mix of earnings is changing and investors will see new sectors taking the growth leadership. On the valuations front, a rise in interest rates and reduced capital market liquidity is a dampener. To sum it up, the environment of strong earnings growth with a deteriorating breadth of earnings revision along with rising interest rates would mean the returns per se may be much more measured versus what we have seen in the last two years.

However, it is interesting to note here that the market was anyway expecting a rise in interest rate since a low-interest-rate environment becomes unsustainable over a long period. The global economy never has witnessed such a prolonged, historic low-interest-rate environment. The US Federal Reserve has already announced a rise in interest rate for the first time in its March 2022 meeting. In its first rise in interest rate since 2018, the event is seen as a significant decisive move by the central bank in the US, the largest economy in the world. There is also an indication of a further rise in interest rates throughout the year.

Given that the broader market earnings' revisions are no more positive and valuations are higher for the broader market, the overall risk-reward is relatively favorable for large-caps. As such, opportunities are available across the size spectrum and many profit pools are only available in the broader market. It may be prudent to be with large caps till the uncertainty of the global supply issue, Russia – Ukraine war, inflation, crude such other issues doesn't subside.

We have witnessed a sharp correction and hence there is a good chance to spot value in the large-cap space. The markets these days are highly growth-sensitive. Investors are willing to pay a premium wherever growth is visible. The preference is tilted towards high-growth stocks. However, investors with a long-term horizon can expect to identify some highly lucrative opportunities in the current market where growth is available at a reasonable price owing to the steep correction in stock prices. As the market is highly sensitive to growth, investors must be cautious about buying growth stocks that fail to deliver on growth. Market punishment is severe for growth stocks that fail to live up to their promise.

To conclude, I still believe this year's market will not see much of an upside, as high elevated commodity prices and rising interest rates will keep haunting the bottom line of most of the companies, so we will see more swings rather than a trend in the market. and hence investor has to play to the swings in the market.

Market Commentary

The Nifty index ended March month at 17,464 with a positive return of 4%. However, Sensex ended March month at 58,568 with a positive return of 3.9%.

Indian markets started the month with bearish sentiments as investors globally overlooked reassuring comments from the Fed amid nervousness on the Russia-Ukraine war front coupled with surging oil prices. Markets started witnessing a free fall during the start of the week as escalating Ukraine crisis along with rising crude oil prices mainly weighed on investor sentiment. Sentiments remain dampened as India's economic growth slowed to 5.4 percent in the third quarter of 2021-22 from GDP growth of 8.5 percent in the previous quarter (July-September) and 20.3 percent in the April-June quarter.

Bulls finally got some respite after four weeks of continuous drubbing as traders went for bargain hunting in fundamentally strong stocks and cheered the BJP's strong performance in four out of five states polls. Markets made an awful start to the week as the Russia-Ukraine conflict coupled with rising crude oil prices dragged markets lower. Sentiments also got some support from Union Minister of Commerce and Industry Piyush Goyal stating that venture capitalists have played a pivotal role in India's startup story and the economic growth of the country. Some support also came with Crisil's latest report 'India Outlook, Fiscal 2023' where it stated that the Indian economy is likely to grow by 7.8 percent in 2022-23, mainly driven by the government's drive to push infrastructure spending and likely to increase in private capital expenditure.

Bulls strengthened their grip on Dalal Street with frontline gauges garnering weekly gains of around four percentage points, tracking strong global cues linked to a US Fed rate hike and pullback in oil prices. . Markets started the holiday truncated week on optimistic note-taking support from Fitch Ratings' report. On the very next day, markets witnessed a selloff with traders turning cautious after a report that India's retail inflation in February rate rose to an eight-month high of 6.07 percent from 6.01 percent in the previous month, remaining above the upper limit of the central bank's comfort level of 6 percent for the second consecutive month. However, the rally in the last two days of the week helped markets to go home with plenty of gains as traders took encouragement from the Ministry of Finance's statement that the Indian economy is well prepared to handle any capital outflows caused by external shocks.

Markets started the week on an optimistic note. Markets extended gains as investors' morale remained upbeat with Finance Minister Nirmala Sitharaman's statement that India's sharp economic recovery post-COVID-19 and Budget initiatives will help in sustaining growth momentum in the years to come. Meanwhile, she said FDI into the country during the Modi government was $500.5 billion, which is 65 percent more than the amount received in the 10 years of the UPA government, as investors have trusted the economic management of the current regime. However, markets witnessed some consolidation as India Ratings and Research (Ind-Ra) lowered India's Gross Domestic Product (GDP) growth forecast to 7-7.2 percent for FY23, from 7.6 percent projected earlier, citing the rising uncertainty over the Russia-Ukraine war and the resultant dampening of consumer sentiment.

In terms of economic performance, the IHS Markit India Manufacturing Purchasing Managers' Index (PMI) was at 54 in March, down from 54.9 in February, due to slower expansions in factory orders and production as well as a renewed decline in new export orders. However, Business conditions continue to improve with the headline figure remaining above its long-run average of 53.6.The IHS Markit India Services PMI posted 53.6 in March, pointing to the strongest rate of expansion since last December. The combined Index of Eight Core Industries stood at 137.1 in February 2022 which increased by 5.8% (provisional) as compared to the Index of February 2021. Coal, Natural Gas, Refinery Products, Steel, Cement & Electricity recorded growth whereas Fertilizer and Crude Oil recorded negative growth.

India's retail inflation, measured by CPI rose to an eight-month high at 6.07% in February as compared to 6.01% in the previous month. India achieved the highest monthly exports which grew by 14.53% year over year to $40.38 billion in March 2022 vs $35.26 billion in March 2021. At the same time imports increased by 20.79% year over year to $59.07 billion in March 2022 vs $48.9 billion in March 2021. The Goods and Services Tax (GST) collection in March 2022 touched an all-time high of ₹1,42,095 crore.

Also, India's foreign exchange reserves dipped by $2.03 billion to $617.648 billion in the week ended March 25. Foreign currency assets (FCAs), a key component of the overall reserves fell by $3.2 billion to $550.45 billion. Additionally, Foreign Portfolio Investors (FPIs) were net sellers of Rs. 50,068 crores in March, driven by net outflows in equity of Rs. 41,123 crore.

The U.S. markets ended mostly lower during the passing week amid fading hopes about peace talks between Russia and Ukraine. Rising worries about inflation and imminent aggressive monetary tightening by the Federal Reserve weighed as well on sentiment. Selling pressure picked up considerably on the last trading day of the quarter (March 31), which marked the first negative quarter for the major averages since the first quarter of 2020. For the first quarter, the Dow and S&P 500 closed down 4.6% and 4.9%, respectively. The Nasdaq lost 9%. For the three major averages, this was the worst period since the first quarter of 2020, which marked the start of the Covid pandemic in the U.S. and saw the S&P 500 tumble by 20%. The start of a rate hiking cycle from the Federal Reserve, high inflation, and Russia's invasion of Ukraine all contributed to the struggles for equities this quarter.

In the labor market, first-time claims for U.S. unemployment benefits decreased in the week ended March 26th, according to a report released by the Labor Department. The report said initial jobless claims moved higher to 202,000, an increase of 14,000 from the previous week's revised level of 188,000.

Meanwhile, IHS Markit indicated signaled a sharp improvement in operating conditions across the US manufacturing sector. The S&P Global US Manufacturing PMI increased to 58.8 in March of 2022 from 57.3 in February and slightly higher than the earlier released 'flash' estimate of 58.5. The improvement in the health of the US manufacturing sector was steep overall and the sharpest since last September

The Eurozone manufacturing sector registered a further slowdown in growth at the end of the first quarter, with the headline PMI slumping to a 14-month low. The S&P Global Eurozone Manufacturing PMI fell to 56.5 in March, from 58.2 in February, and signaled the slowest improvement in operating conditions faced by goods producers since the beginning of 2021. As per the report of the global data firm, "While the boost to demand from the further relaxation of COVID-19 containment measures helped ensure a sustained expansion of manufacturing order books and output in March, rates of growth have cooled markedly amid sanctions, soaring energy costs and new supply constraints linked to the war. Heightened risk aversion among both manufacturers and their customers due to the uncertainty caused by the invasion, combined with an Intensifying cost of living crisis, meanwhile threatening to pull growth even lower in the coming months, as reflected in the slumping of manufacturers' growth expectations for the coming year."

The final au Jibun Bank Manufacturing PMI rose from 52.7 in February to 54.1 in March. This signaled the fourteenth consecutive improvement in the health of the sector and one that was solid overall. Regarding China, The National Bureau of Statistics reported that the official manufacturing PMI for March fell to 49.5 from 50.2 in February. The country's non-manufacturing PMI, which gauges sentiment in the services and construction sectors, declined to 48.4 in March 2022 from the February reading of 51.6

Going Ahead

The global economy's road to recovery seems to be moving in the right direction as pandemic woes decelerate. Domestic markets recovered well in March month after a brief consolidation during the start of the month as volatility abated. The main drivers of growth so far have been strong government spending, a pick-up in industrial activities, robust retail sales, and continued tractions in foreign trade. Meanwhile, the global inflation rate has accelerated to levels not seen in recent decades which could prompt Fed to raise interest rates rather too quickly. The domestic markets ended on a strong note as the benchmark indices posted strong gains during the end of the month to reclaim crucial levels as a sharp fall in global crude prices and foreign fund inflows boosted investors' sentiment.

The war between Russia and Ukraine continues with no definite indication of an end. Supply chain disruption due to the war and embargo imposed by many countries against Russia have pushed global commodity prices at skyrocketed levels. This has created concern for the already alarming global inflationary situation, especially in the US and Europe India too is impacted by the adverse global developments. Particularly, high crude oil prices increase India's import bill and hurt growth, and exert inflationary pressures. If such price rises are not fully transmitted to domestic prices, government finances deteriorate. The raw material to sales ratio for Indian non-financial companies is around 50%. With the sharp rise in global commodity prices, this ratio has gone up considerably resulting in margin pressure. India is facing some domestic challenges too. Subdued rural income, sluggish demand for consumer durables including automobiles, low consumer confidence, and slow recovery in passenger transportation and hospitality industry are some of the problems being faced by the country.

Despite these factors, India remained the fastest-growing major economy in the world in 2021. During the last year, India overtook the UK to become the 5th largest economy in the world. According to the estimate of the International Monetary Fund, India will remain the fastest-growing major economy in the world during 2022 as well as 2023. Despite some hardening, the increase in inflation level in India is far lower as compared to the US or Europe. Government finances are in much better shape versus most of the peers. The banking system remains stable with signs of modest acceleration in credit growth. With close to $650 billion in foreign exchange reserves, India's external sector also remains resilient.

Meanwhile, The Reserve Bank of India (RBI) would be compelled to signal a neutral policy stance in the Monetary Policy Committee's review meeting in April as average consumer inflation is likely to stay firm at 5.4 percent in FY23. The first meeting of the new financial year will be conducted during April 6-8. Also, Markets would be keeping a close eye on quarterly outcomes of major companies during the month starting with the IT majors.

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

Equity Outlook

The real GDP growth projection by the RBI in early February for FY22-23 at 7.8% pencils in risks from global supply chain disruption, though the estimates could further moderate while accounting for the geopolitical conflict. Private consumption and contact-intensive services remain below pre-pandemic levels. The impact of the third wave has further delayed the pace of recovery in the domestic services sector. Demand resumption as a key growth driver could be some time away given the very gradual recovery anticipated in the urban and rural (weaker than expected rural activity) consumption demand. On the positive side, government initiatives on the thrust to infrastructure development could potentially support growth over the medium term. Improving public spending, better capacity utilization, exports, healthier corporate and private CAPEX. Interim risks to reviving private CAPEX include high input cost inflation levels and global supply chain disruption.

Geopolitical concerns are expected to impact the domestic economy on multiple fronts. Despite no significant trade partnership (ex-defense) with the conflicting countries, India could face a challenge from imported inflation through steep increases in oil prices, in turn affecting the balance of payment and resultant currency weakness. The ongoing geopolitical conflict is expected to exacerbate the global supply chain disruption with potential repercussions for industries with significant reliance on energy resources, the downstream energy-related sectors, automakers, and electronics to name a few. A prolonged supply disruption and high oil prices could place a drag on the cyclical recovery of the Indian economy. Deteriorating risk sentiments for global investors could potentially impinge on the future FPI flows into Indian equities. That said, structural drivers for domestic inflation include a healthy mix of fiscal policy targeted toward capital spending by the government, accommodative monetary stance, and factors to promote private CAPEX. Put together, these factors augur well to reduce the risk of domestic inflation trending higher over the medium term.

From an investment perspective, the recent market corrections have rationalized market valuation levels to some extent. Any further corrections could progressively offer investment Any further corrections could progressively offer investment opportunities which could be tapped by the way of staggered & systematic investments.

Equity Recommendations:

Focused Equity Mutual Funds and Returns				
Large Cap	**1 Years**	**3 Years**	**5 Years**	**Since Inception**
Mirae Asset Large Cap Fund	18.39	15.04	14.41	15.83
Canara Rebeco Bluechip Fund	15.70	18.32	15.72	12.94
Franklin India Bluechip Fund	14.12	13.34	11.03	16.50
Large & Midcap				
Kotak Equity Opportunities Fund	19.70	17.90	14.17	18.52
DSP Equity Opportunities Fund	15.84	15.63	12.58	17.56
Flexi Cap				
Canara Robeco Flexi Cap Fund	20.63	18.31	16.40	18.24
Parag Parikh Flexi Cap Fund	27.26	14.65	13.64	18.53
Midcap Fund				
Kotak Emerging Equity Fund	24.50	22.79	15.45	14.06
DSP Midcap Reg Gr	12.22	16.44	11.93	15.06
Focused Fund				
SBI Focused Equity Fund	24.74	18.44	16.96	19.64
ICICI Pru Focused Equity Fund	22.89	17.19	13.34	13.22
Small Cap				
Aditya Birla SL Small Cap Fund	20.92	13.29	8.46	11.70
Multi Cap				
Invesco India Multi Cap Fund	22.09	17.38	12.60	15.62
Contra				
SBI Contra Fund	30.36	21.92	15.14	16.03
ELSS				
Aditya Birla SL Tax Relief '96 Fund	14.74	10.86	11.85	10.71
Axis Long Term Equity Fund	24.93	19.85	17.03	17.44
Mirae Asset Tax Saver Fund	35.03	23.39	20.45	20.42

Source: Anand Rathi Internal Research.

Note: Such representations are not indicative of future returns.

Debt Outlook

India's GDP growth for Q3FY22 was 5.4% y-o-y (lower than the consensus estimate of 6.0%), slower than the 8.5% witnessed in the last quarter. The economy is expected to grow 8.9% in fiscal 2022 as against a contraction of 6.6% in fiscal 2021. While some moderation was expected, the pace of growth has nonetheless been underwhelming. GVA growth came in much lower at 4.7% y-o-y (against 8.4% in Q2F22). GDP deflator was broadly unchanged at 9.8% y-o-y vs. 10% in September. We expect that the impact of the third wave coupled with high inflation and geopolitical tension are likely to moderate the growth in the last quarter of FY22.

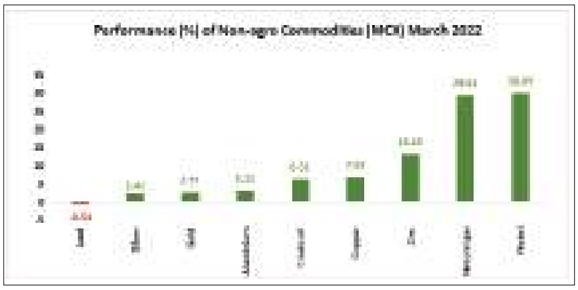
The rising geopolitical tensions emanating from Russia and Ukraine have global implications, including for India. In the short term, we are likely to witness volatility across capital markets, primarily due to the conflict leading to higher commodity prices. Oil and gas prices may continue to remain firm driven by supply concerns. Persistently higher oil prices may have a larger impact on the Indian economy which is dependent on imported oil, potash, and other items.

The monetary path of many central bankers may be the altered basis on the latest geopolitical developments. The countries that had embarked on an interest rate tightening cycle to combat inflation may rethink due to expectations of slower growth. As an initial response from the central bankers, the market expects that there would be a reduction in the pace and magnitude of rate hikes this year. Bond yields in India may continue to remain volatile in the backdrop of increasing crude oil prices, higher inflation, geopolitical tension, and a higher supply of government bonds. In its recent meeting, the RBI maintained a growth-centric approach to ensure that the nascent recovery remains unhindered.

Due to the current geopolitical situation and sticky inflation, we remain cautious. We continue to expect the RBI to narrow the policy rate corridor through a reverse repo hike depending on evolving global and domestic conditions. We believe that the yields in the short to mid part of the curve are reasonably priced with moderate duration. Even if yields inch up in the short to mid part, higher accruals in the short to mid part of the curve could provide a buffer to mitigate some of the price erosion as the yield curve is steep. Investors may consider investing in funds that offer such exposure along with lower volatility. Investors may also consider floating rate funds as they provide a hedge against a rise in interest rates.

Commodities Outlook

Metals experienced a remarkable / record rally owing to geopolitical risk



(Source: Bloomberg)

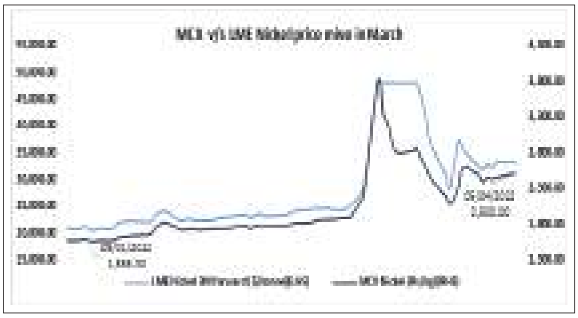
Spot gold advanced by 1.49% to $1,936.9 an ounce in March due to a rise in the haven investment demand after Russia invaded Ukraine and Western countries imposed economic sanctions on Moscow. The Federal Reserve raised interest rates by a quarter percentage point and signaled hikes at all six remaining meetings this year, launching a campaign to tackle the fastest inflation in four decades even as risks to economic growth mount. The dollar appreciated by more than 1.6% however, the market shrugged it off. MCX Gold June future finished the month with nearly 2.77% gains at Rs. 52,166 per 10 gram. MCX Silver May future closed with a gain of more than 2.4% at Rs. 67,487 per kg.

Holding the world's largest gold ETF, SPDR Gold Trust rose to 1,089.98 tonnes as of 5th April 2022 from 1,042 tonnes as of 1st March 2022.

Spot Silver has closed at $24.78 per troy ounce, up by 1.43%, remained below $25 per troy ounce, almost 10% below a 9-month high of nearly $27 reached in early March, dragged down by expectations of higher Federal Reserve interest rate hikes and higher Treasury yields. Investors bet the Federal Reserve will deliver a 50bps hike in May to tame decades-high inflation amid a falling unemployment rate and accelerating wage growth. Meanwhile, investors remained cautious amid expectations of further sanctions following alleged war crimes by Russian troops in Ukraine.

The short-term outlook is mixed as the dollar index has appreciated and US 10 year bond yield has gone above 2.5% owing to hawkish Fed comments. The Fed has given a strong signal to increase the interest rate by half a percentage point at two upcoming meets and now another total of six times this year. On the other side, a resurgence of Covid-19 has triggered a risk-off sentiment. And the spread of 10Y and 2Y bond yields in the US has inverted – a major trigger for a recession in the US. Nonetheless, Washington has refused to accept the threat of recession. Amid developments on both sides of the argument, the outlook is mixed in the MCX Gold. Silver, however, may rally as a trend in the base metal is bullish.

Nickel supply squeeze and LME fiasco



Commodities markets have been roiled by Russia's invasion of Ukraine as big corporates withdraw from the country, lenders pull back from financing deals and the threat of new sanctions deters buyers. It's also getting increasingly difficult to transport commodities like metals, which are shipped in containers. Almost half of the world's container ships will no longer go to and from Russia, based on announcements by shipping companies as of Tuesday.

Nickel futures jumped sharply in London to trade above a record high of $100,000 a tonne as surging prices created a short squeeze in an already tight market. The latest spike comes as clients with short positions have been stopped out of the trades. Clients such as industrial hedgers have been hit with large intraday margin calls as prices have surged on worries of supply disruptions from Russia, and they're now being forced to close out their positions in an increasingly illiquid market.

Global commodities markets from metal to crops to energy have been upended by Russia's invasion of Ukraine as big corporates withdraw from the country, lenders pull back from financing deals and the threat of new sanctions deters buyers. It's also getting increasingly difficult to transport commodities like metals, which are shipped in containers. Russia is a key supplier of nickel, and the threat to supplies comes at a time when global stockpiles are already low and falling further. Freely available nickel stockpiles on the exchange fell to the lowest since December 2019, with two dominant parties holding the warrants, according to LME data.

Cash nickel contracts traded at the biggest premium to three-month futures since 2007 on the LME, in a condition known as backwardation that signals a worsening squeeze on spot supply.
The outlook is bullish for nickel however, we must understand that prices have gone too far from the fundamentals. The rising demand in the stainless steel sector and electric vehicles manufacturing has provided strong support. The undertone is bullish owing to a dwindling inventory at the LME warehouse and supply tightness. We recommend waiting for the short squeeze matter to get resolved at the LME and then jumping. Hence we think to avoid it for a couple of weeks.

Crude oil: Volatility may continue

The black gold gained for the fourth consecutive month, with WTI crude surging almost 5 percent in March, albeit falling from a fourteen-year high of $130.5, tapped on 7th March. The black gold skyrocketed on supply concerns after Russia invaded Ukraine and the West propping up sanctions against the former. Geopolitical tensions in Europe accompanied by Yemen's Houthi rebels attacking Saudi Aramco oil facilities in the Middle East, further escalated supply worries at a time when demand is growing from robust post-pandemic recovery.

Volatility has become the hallmark of global markets and this might persist until at least the war between Russia and Ukraine subsides. In the latest developments, Russia's offer to "fundamentally cut back" its military operations in northern Ukraine sparked optimism around the potential for a peace deal, however, there's a strong reason for caution. People close to Kremlin said that de-escalation does not mean a cease-fire or complete withdrawal of troops from around the capital, which might be potentially misleading according to the US.

Demand concerns rose amid a covid resurgence in China, prompting a lockdown in Shanghai. Shanghai reported a record 13,086 new asymptomatic coronavirus cases on April 4, the city government said on its official WeChat channel, up from 8,581 the previous day, after a city-wide surveillance testing program that saw more than 25 million people swabbed in 24 hours. The lockdown was originally set to end on 5th April in the city's western districts but has now been extended until further notice.

In a move to combat rising gasoline prices and supply shortages ahead of midterm elections, the Biden administration announced the largest-ever strategic petroleum reserve release, totaling 180 million barrels. The plan involves putting 1 million barrels of oil on the market, per day for six months and buying back at lower prices in futures, once production rises. The White House also asked US oil producers to increase output and said it would impose levies on those that were not making use of their drilling licenses on public lands. Earlier in March, the US announced an SPR release of 30 million barrels, which failed to cool down prices.

During the 27th OPEC+ meeting held on 31st March, OPEC and its allies stood back from the crisis engulfing oil markets, refusing to deviate from their schedule of gradual production increases and ratified the 432,000 barrel per day supply increase scheduled for May. Still, the group struggles to meet the allocated quotas and has been underproducing the quotas. OPEC's March oil output rose by 90,000 BPD mom to 28.54 MDM, according to a Bloomberg survey. Kazakhstan may lose about 320k bbl/d of oil output through April amid the CPC pipeline shutdown, according to the Energy Ministry.

Currency Outlook

Indian Rupee fell as FPI spree continued for the 6th month

Indian rupee spot witnessed the third consecutive monthly decline and depreciated by 72 paise in March to close at 75.34 against the dollar, amid risk-off sentiments owing to heightened geopolitical tensions, record-high crude prices, continuous selling by FII and weak domestic economic data. However, the downside was capped and Rupee gained towards 2H of March, owing to RBI intervention in forex markets coupled with a bounce-back in equity markets and a decline in crude prices amid ceasefire talks between Russia and Ukraine.

RBI turned more dovish in the February meeting and left its benchmark repo rate at 4 percent during its February meeting, saying it was maintaining an accommodative monetary policy stance as inflation was not supported by rising demand. RBI divergence from major central banks globally, in hiking rates, is taking a toll on domestic securities, which is evident from FII outflows. FPI has been continuously selling for the last six months and saw an outflow of Rs.50,068 crores in March, totaling Rs.1,16,662 crores so far in 2022.

On the economic data front, India's economic growth slowed in Q4 to 5.4 percent year-on-year, following an upwardly revised 8.5 percent advance in the previous period. Considering the full 2021/22 fiscal year, the economy expanded 8.2 percent, compared with a 9.2 percent growth projected in the first advance estimates. Meanwhile, the annual inflation rate in India accelerated for a 5th straight month to 6.07% in February of 2022, the highest since June of 2021, and above market forecasts of 5.93%. Infrastructure output in India increased 5.8% year-on-year in February of 2022, following an upwardly revised 4% rise in January.

India relies on overseas purchases to meet about four-fifth of its oil requirement, making it one of the most vulnerable in Asia to higher Crude prices. India's trade deficit widened to USD 18.7 billion in March of 2022, from USD 13.9 billion in the same period last year, a preliminary estimate showed. Imports soared 22.1 percent on year to USD 59.1 billion, while exports rose a slower 17.2 percent to USD 40.4 billion. Considering the April-March period of 2021-22, the trade deficit stood at USD 192.4 billion, reflecting exports of USD 417.8 billion and USD 610.2 billion in imports. Along with that, a stronger dollar index further weighed down on Rupee. The dollar index rose sharply in March and closed at 98.31, up by 1.65%, owing to safe-haven bets amid heightened geopolitical tensions and weakness in index heavyweight Euro, as the bloc's economy faces the biggest threat since World War 2. During the March FOMC meeting, Fed raised interest rates by 25 basis points and signaled hikes at all six remaining meetings this year. Rates hikes were followed by hawkish comments from Fed officials, which increased the chances of a 50 basis points hike in the May meeting, keeping the greenback aloft. Meanwhile, 40-year high inflation coupled with a two-year low unemployment rate further underpinned the conviction that the data-driven Fed might be very aggressive going forward.

Timely intervention by RBI helped the rupee recover from the record low levels hit on 7th March. In the last three weeks, the forex reserves have slumped by nearly $15 billion as the Reserve Bank of India intervened in the currency markets by way of dollar sales to prevent a slide in the value of the rupee amid the Russia-Ukraine conflict. The RBI weekly statistical supplement notified that the country's forex reserves dipped by $2.03 billion to $617.648 billion during the week ended March 25, the third consecutive weekly fall in the forex reserves.

Outlook

For April, we expect the Rupee spot to trade in the range of 75.15 – 76.4 with a depreciation bias. RBI monetary policy outcome due on 8th April might give a clear picture of the central bank's accommodative stance, though RBI is expected to maintain the status quo and keep the benchmark rates unchanged. Fed meeting minutes and US CPI inflation data for March can be closely tracked for wild moves in the dollar index. Elevated crude prices coupled with a hawkish Fed might prompt capital outflows from domestic securities, weighing down on Rupee. Having said that, RBI intervention in the forex market might cap the losses, as the central bank announced a sell/buy swap auction of $5 billion to be held on 26th April.

Anand Rathi PMS

Decennium Opportunity

Focus on return optimization by investing in multicap portfolio of companies with good corporate governance, strong emerging business or companies entering into next business upcycle.

Emerging business of ongoing Industrial Revolution

Opportunity - Accelerated Growth from Business Upcycle

- Indian economy has found its place among the key global players in many of the sectors.

  India increasing its share and becoming a part of the global supply chain and also a reliable partner.

- Government focus on building capabilities, scale and good manufacturing practices.

PLI, Export incentive and Atmanirbhar Bharat Initiative very well supportive to strengthen India's private players/ Enterpreneurs to scale up their business.

With overall economic growth both at macro and micro level and favorable policy many sectors enters into their next business upcycle

Opportunities at every level of emerging business

Stock Selection Process

Structure Product Idea

Nifty Accelerator

Product Name	Nifty Accelerator - 100%	
Issuer	Anand Rathi Global Finance Limited	
Underlying	Nifty 50 Index	
Capital Guarantee	Principal is not protected	
Tenor(days)	1875 Days	
Initial Fixing Level	150 pointscontingent from closing nifty then rounded to next 100	
Final Fixing Level	Average of Closing NIFTY on last Thursday of 50th, 53rd,& 56thMonth.	
Nifty Performance (NP)	(Final Fixing Level/Initial Fixing Level)-1	
Contingent Coupon (CC)	100%(IRR –~14.45%)	
Participation Rate1 (PR1)	100%(From 108% to 133% of Initial Fixing Level)	
Participation Rate2 (PR2)	2500%(From 130% to 133% of Initial Fixing Level)	
Decay Multiple (DM1) Knock-In Put @ 84.99%	1.10x (below -15% till -30% fall with catch-up)	
Decay Multiple (DM2) Nifty @ 70% of initial	0.10x (Beyond -30% fall decay decreases)	
Payoff	If Final Fixing Level is at or above 133% of Initial Fixing Level	Contingent Coupon
	If Final Fixing Level is Above 108% & below 133% of Initial Fixing Level	(NP-8%)* PR1+ Max (0%,(NP-32%)*PR2
	If Final Fixing Level is above 85% & at or below 108% of Initial Fixing Level	Principal Protection
	If Final Fixing Level is below 85% of Initial Fixing Level	MAX(-100%,MAX((-30%*DM1),NP*DM1)+MIN(0%,(NP+30%)*DM2))

PAYOFF (Market Linked Debentures Idea)

Nifty Values	Nifty Perf.	Product Return	Nifty IRR	Product IRR
37170	110.0%	100.0%	15.5%	14.4%
35400	**100.0%**	**100.0%**	**14.4%**	**14.4%**
26550	50.0%	100.0%	8.2%	14.4%
23541	**33.0%**	**100.0%**	**5.7%**	**14.4%**
23364	32.0%	74.0%	5.6%	11.4%
23187	31.0%	48.0%	5.4%	7.9%
23010	**30.0%**	**22.0%**	**5.2%**	**3.9%**
21240	20.0%	12.0%	3.6%	2.2%
19116	**8.0%**	**0.0%**	**1.5%**	**0.0%**
17700	**0.0%**	**0.0%**	**0.0%**	**0.0%**
17465	-1.3%	0.0%	-0.3%	0.0%
15930	-10.0%	0.0%	-2.0%	0.0%
15045	**-15.0%**	**0.0%**	**-3.1%**	**0.0%**
15043	**-15.01%**	-16.51%	-3.12%	-3.45%
14160	-20.0%	-22.0%	-4.3%	-4.7%
13275	-25.0%	-27.50%	-5.4%	-6.1%
12390	**-30.0%**	**-33.00%**	**-6.7%**	**-7.5%**
11505	-35.0%	-33.50%	-8.0%	-7.6%

Product IRR* **14.45%**

Tenor **1875 Days**

Target Nifty Perf. **33%**

Product Explanation

NP >= 33%	100% (Contingent Coupon)
32% < NP < 33%	Max(0%,(NP-32%)*PR2
8% < NP < 33%	(NP-8%)* PR1
-15% <= NP <= 8%	Principal Protection
-30% <= NP < -15%	1.10x Decay with Catch-up
Nifty falls beyond -30%	Decay decreases to 0.10x

*Product IRR assume to be Pre-Tax IRR
• NP: Nifty Performance
^ Initial Fixing Level is taken as 17465, adding 150 points contingent: 17615, rounded off to next 100: 17700.
**Historical Standard Deviation is calculated for 1710 days daily rolling NIFTY (Working Days Only) return from 1st Jan' 2001 - 31st Mar' 2022

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

Technical Analysis

NIFTY: APRIL 2022

The crack of Feb 2022 month was followed by too much of action and a sharp recovery during the month of March 2022. Along with the tussle going on between Russia and Ukraine; our domestic markets absorbed all the outcomes from events like domestic state election results and US FED rate hike. The index NIFTY sneaked below 16000 mark initially but fell just short of the downside target of 15400. It took a U – turn from 15670 and posted a one sided recovery towards 17600 mark. Eventually it ended the month with gains of around 4% on closing basis.

Technically it is evident that the index have now rallied around 2000 points from the bottom of 15670 in a span of just four weeks and yet on the daily scale the oscillators are not into overbought zone. Thus there is possibility of some more upside. However; there are many hurdles going ahead for the index. The index NIFTY is now approaching 17800 mark which is the 78.6% retracement of the entire fall from 18350 to 15670. In addition; there is a falling trend line resistance placed at 18100 mark as displayed on the weekly chart. Also we have some pivotal resistances too in this range. The volatility index India VIX is now below 19 mark but 18 – 17 zone is a good support for the same and thus there could be again some rise in volatility. Hence for the month of April 17800 – 18200 would be a decisive range on the upside. A breach of the same might bring the bulls on front seat and we could see life highs. On the contrary; 17000 would be a strong support for the month. A breach of the same might again result in price correction towards 16600 for the index.

Even our previous monthly edition; we discussed that below 34000 there is a possibility of 7% to 10% correction in NIFTY BANK index. In line with that view; the index corrected towards 32000 mark which is around 6% and then we saw a sharp recovery in it. At this juncture it is trading at 37000 mark. The index is trading in a falling channel and the upside range of the channel is at 38000 – 38500. Thus in the coming month the mentioned zone would be a strong hurdle for the index. A close above the same would be considered as a breakout. However; if the index fails to do so then it could trigger heavy profit booking in it. The downside support for the index is very far at 35000 mark. Only a breakdown for this support would result in further downside in the banking stocks.

Technical Pick - BUY GAIL

POTENTIAL UPSIDE 18.75%- 25.00%

- At this juncture; the stock GAIL is on the verge of a major breakout above 166 mark.
- Above 166 the stock would confirm a multiyear breakout and also the pattern resembles a bullish head and shoulder.
- Along with the price; we are also witnessing a breakout in Ichimoku indicator which adds more conviction to the bullish outlook.
- The price action of the breakout is supported with volumes which indicates accumulation. Thus; traders are advised to accumulate the stock in the range of 162 - 158 with a stop loss of 140 on closing basis for the upside potential target of 190 followed by 200 levels in coming 3 - 6 months.

Fixed Income Services

Monetary Policy Update

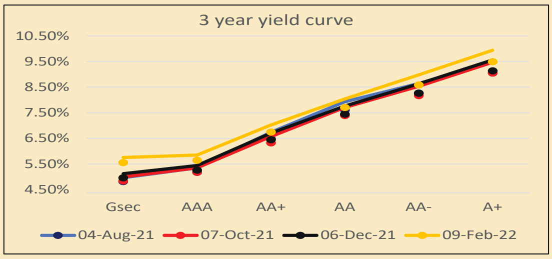
The Monetary Policy Committee (MPC) unanimously kept the Repo and the Reverse Repo rate unchanged in its February 2022 review, with a 5 to 1 majority to continue with the accommodative stance as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target.

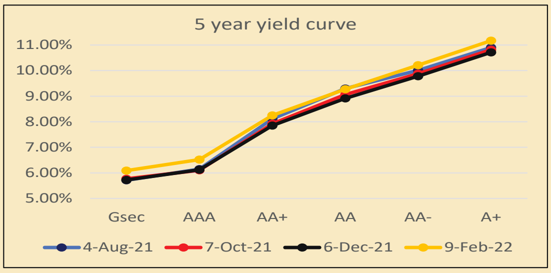
Key Takeaways:

- CPI inflation for 2022-23 is projected at 4.5% with Q1:2022-23 at 4.9%; Q2 at 5.0%; Q3 at 4.0%; and Q4:2022-23 at 4.2%, with risks broadly balanced.
- Real GDP growth is projected at 7.8% for 2022-23 with Q1:2022-23 at 17.2%; Q2 at 7.0%; Q3 at 4.3%; and Q4 at 4.5%.

The policy was a positive surprise for the markets, bringing relief to the bond markets after the sharp rise in yields over the last 1.5 months. The markets had priced in a 15-25 bps reverse repo rate hike, with the MPC maintaining a unanimous status quo on rates, the markets took it positively and the 10-year G-sec rallied by ~10bps. The debt markets had seen significant hardening post the U.S Fed meet and the budget, however, the recent cancellation of G-sec auctions had improved market sentiment leading to the policy and the positivity continued with RBI maintaining the status quo on rates. After touching a high of 6.95% in early Feb, the 10-year G-sec has since retraced and is currently trading around ~6.72%.

The MPC believes that economic recovery is still incomplete hence the monetary policy continues to complement the expansionary fiscal policy announced in the recent Budget for FY2022-23. The RBI is likely to continue with the longer-term variable reverse repo rate auctions (VRRR), with 14D VRRR remaining the main liquidity tool and other maturities of VRRR will be done as required. Going forward, the debt markets are expected to remain volatile, with the G-sec expected to remain range-bound for this financial year.





Source: RBI Press Release, Fixed Income Databases

Secondary Market Bond Offers

Tax Free Quotes

Security	Maturity/C	IP	Rating	Yield
8.67% NHPC Tax Free 2033	02-Nov-33	Annual on 1-Apr	IND AAA/Stable	4.60%
7.39% NHAI Tax Free 2031	09-Mar-31	Annual on 1-Oct	IND AAA/Stable	4.59%

PSB Perpetual Quotes

Security	Maturity/C	IP	Rating	Yield
7.73% SBI Perp 2025	24-Nov-25	Annual on 24-Nov	AA+ by CRISIL & IND	7.45%
7.74% SBI Perp 2025	09-Sep-25	Annual on 9-Sept	AA+ by CRISIL & IND	7.20%

PSU Quotes

Security	Maturity/C	IP	Rating	Yield
8.22 NABARD 2028	13-Dec-28	13th Jun & 13th Dec	AAA by CRISIL & India Rating	6.60%
6.92 PFC 2032	14-Apr-32	Annual on 21-Dec	AAA CRISIL, ICRA & CARE	6.95%

Corporate Bonds

Security	Maturity/C	IP	Rating	Yield
6.75 Piramal Capital & Housing Finance Ltd. 2031	Staggered Maturity (31-Sept-31)	28-Mar & 28-Sept	AA by ICRA & CARE	10.58%
7.45% Mahindra & Mahindra Financial Services Ltd. 2031	17-Nov-31	Annual on 17-Nov	AAA by IND Ratings & CARE	7.30%
7.05 HDFC 2031	01-Dec-31	Annual on 1-Dec	AAA CRISIL & ICRA	6.95%
10.25 Shriram Transport Finance Corporation 2024	26-Apr-24	Monthly on 28th	AA+ CRISIL & IND	8.50%
9.32 Tata Capital Fin 2025	30-Jan-25	Annual on 30-Jan	AAA by CRISIL & ICRA	7.10%
7.15 Bajaj Finance Ltd. 2031	02-Dec-31	Annual on 02-Dec	AAA by IND & CRISIL	7.08%
9.20% Hinduja Leyland Finance Ltd. 2024	13-Sep-24	Annual on 13-Sept	AA-/Stable by CARE	9.53%
7.79 LIC Housing Finance Ltd 2024	18-Oct-24	Annual on 18-Oct	AAA by CRISIL & CARE	6.30%
9.70 Tata Motors Finance 2024	19-Dec-24	Annual on 19-Dec	AA- by CRISIL & ICRA	7.70%

The above mentioned offer(s) are indicative and subject to changes in market conditions.

'Please note that investments in these bonds should not be construed as an advice or recommendation however we can facilitate the execution of the same. The bonds are tradeable on the Exchange platform, however we do not provide any assurance or guarantee on the liquidity of bonds. The investment decision shall at all times exclusively remain with the investor. The organisation shall not responsible or liable for any loss or shortfall incurred by the investors.'

Purnartha
RESEARCH - RESULTS - RELATIONSHIPS

PROPRIETARY QUANTITATIVE MODEL

Purnartha uses a Proprietary Quantitative Model for stock selection that has been tested with data spanning over 10 years.

The algorithms built into this model then help select few stocks to arrive at a portfolio construct that has a good risk-reward balance.

SAMPURNA

- **Fundamental Analysis**
- **Quantitative Analysis**

FUNDAMENTAL RULES OF ALGORITHM

- Sales Growth
- PAT Growth
- Operating cash flow Growth
- Debt free or Net Cash
- ROCE Growth
- Margin Expansion
- & many more...

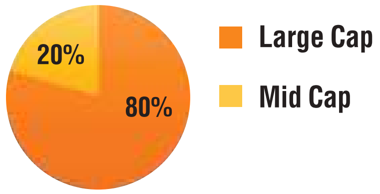
QUANTITATIVE RULES OF ALGORITHM

- Lower Drawdown
- Faster Recovery
- No. of times stock touching 52 week high
- Stock Price Performance
- Macro Index
- & many more....

STOCK SELECTION PROCESS

We will run Net cash formula → As on date 405 companies are net cash → We will give score based on Fundamental & Quant Rules → We will select top 25 companies → We will exclude PSUs & Cyclicals → We will select 12 to 18 stocks for Portfolio

Market Cap Allocation (As on 31st August)



Investment Option 1

Lumpsum Investment	₹ 6,00,000
SIP for 36 month	₹ 60,000
Expected Return(20.5%CAGR)	75%
Weighted Average Return	59.74%
Total Investment	**₹ 27,60,000**
Total Profit	**₹ 12,82,500**
Value of Investment at the end	**₹ 40,42,500**
Fees of 3 yrs (Incl. GST)	₹ 1,47,500
Effective Fee for 3 year	5.35%
Effective Fee for 1 year	1.75%

Investment Option 2

Lumpsum Investment	₹ 10,00,000
SIP for 36 month	₹ 50,000
Expected Return (20.5%CAGR)	75%
Weighted Average Return	51.56%
Total Investment	**₹ 28,00,000**
Total Profit	**₹ 14,43,750**
Value of Investment at the end	**₹ 42,43,750**
Fees of 3 yrs (Incl. GST)	₹ 1,47,500
Effective Fee for 3 year	5.35%
Effective Fee for 1 year	1.75%

Investment Option 3

Lumpsum Investment	₹ 14,00,000
SIP for 36 month	₹ 40,000
Expected Return (20.5% CAGR)	75%
Weighted Average Return	56.51%
Total Investment	**₹ 28,40,000**
Total Profit	**₹ 16,05,000**
Value of Investment at the end	**₹ 44,45,000**
Fees of 3 yrs (Incl. GST)	₹ 1,47,500
Effective Fee for 3 year	5.20%
Effective Fee for 1 year	1.75%

Investment Option 4

Lumpsum Investment	₹ 0
SIP for 36 month	₹ 75,000
Expected Return (20.5% CAGR)	75%
Weighted Average Return	38.54%
Total Investment	**₹ 27,00,000**
Total Profit	**₹ 10,40,625**
Value of Investment at the end	**₹ 37,40,625**
Fees of 3 yrs (Incl. GST)	₹ 1,47,500
Effective Fee for 3 year	5.45%
Effective Fee for 1 year	1.80%

MA₹CELLUS

THE NETWORKING OF INDIA ALONGSIDE TECH CHANGES IS CREATING POLARISATION

The Indian economy has been 'networked' at a rapid pace over the past decade:

- The length of India's national highways has doubled.
- The number of broadband users has increased from 20 million in FY11 to 687 million at the end of FY20 (CAGR of 48%).
- Airline passenger traffic has grown at a CAGR of 16%.
- 15 years ago, only 1 in 3 Indian families had a bank account; now nearly all Indian families have a bank account.

+

The inception of a single Goods & Services Tax in 2017 has allowed companies to consolidate their supply chains (from multiple state-level structures to unified national supply chains)

+

The rise of low cost SaaS (e.g. Salesforce, SAP) alongside RFID tracking and big data gleaned from 400mn internet connected mobile phones is allowing companies to improve working capital cycles, asset turns, profit margins and hence RoCE

=

Source: Marcellus Investment Managers, CMIE, Ace Equity, Bloomberg, Ministry of Aviation, TRAI, Ministry of Road Transport.

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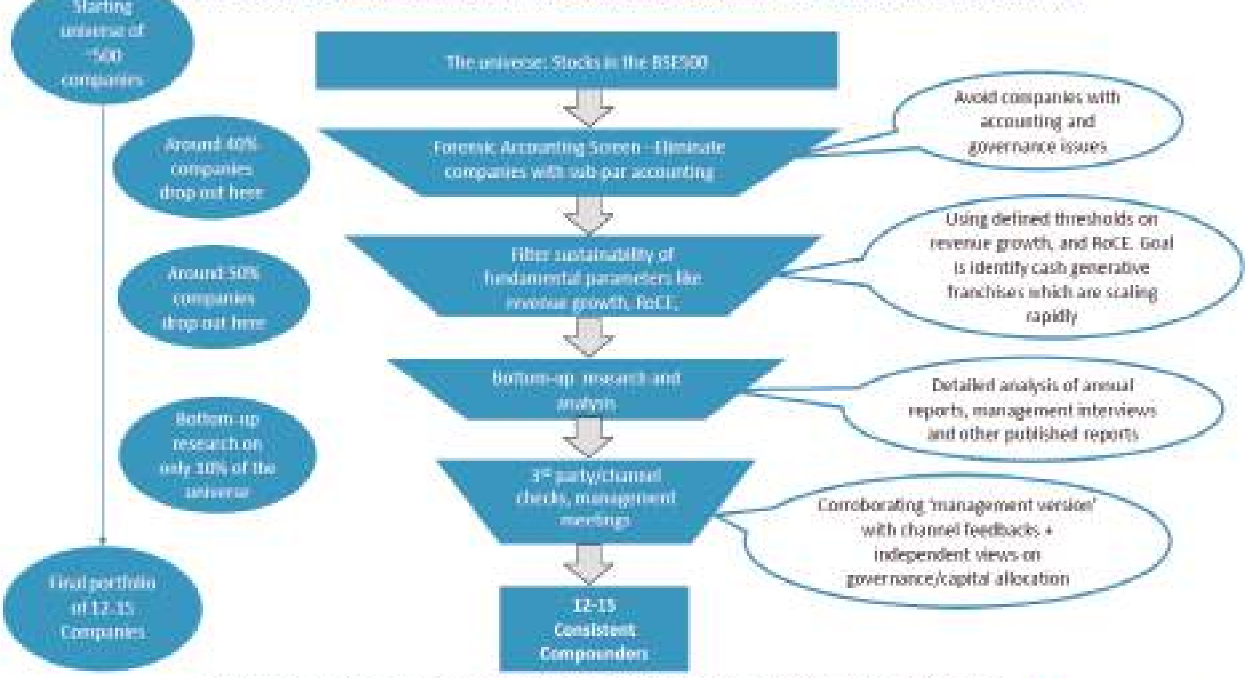
RIGOROUS INVESTMENT PROCESS TO IDENTIFY 12-15 COMPOUNDERS



Note: The fund manager maintains discretion on stock inclusion in the portfolio. In case, a stock does not clear the above filters, the fund manager must record and present to the investment committee for approval, the reasons for such inclusion

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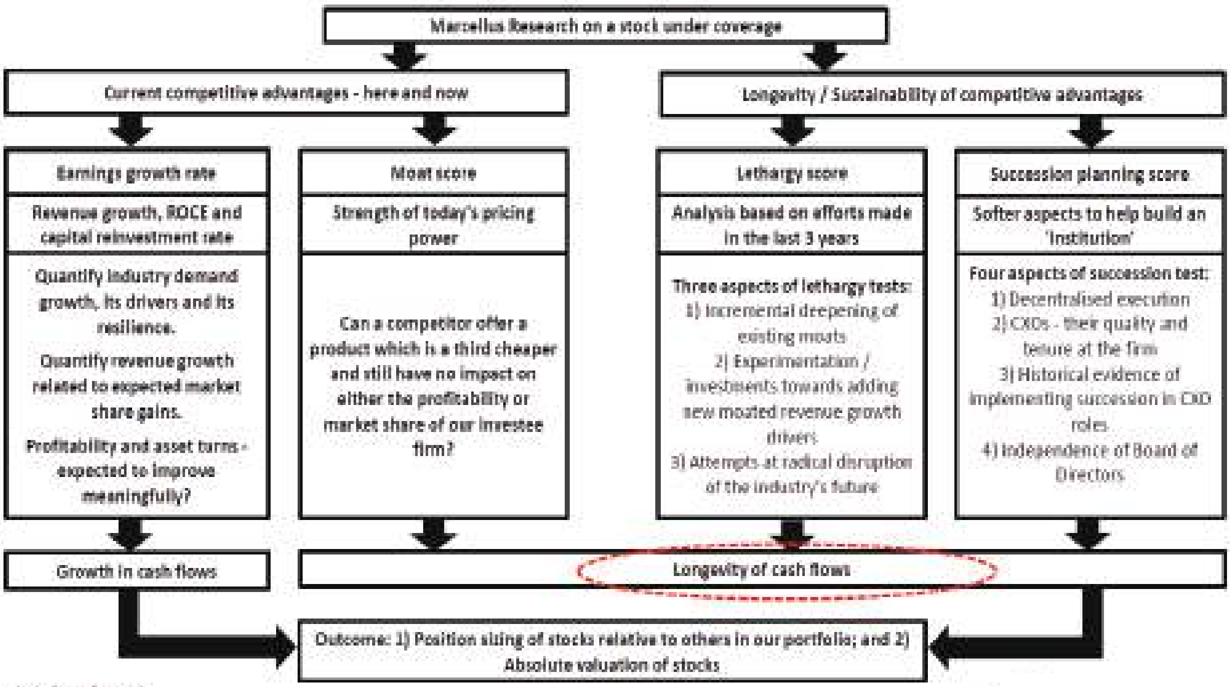
MARCELLUS

STEP 3: INVEST IN FRANCHISES WITH HIGH PRICING POWER AND HIGH REINVESTMENT RATES USING MARCELLUS' LONGEVITY FRAMEWORK



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FUND PERFORMANCE (AS ON 28TH FEBRUARY'2022)

Exhibit 1a: Marcellus' Consistent Compounders PMS performance as on 28th February'22 (INR)

Source: Marcellus, Bloomberg; Performance data is net of annual performance fees charged for client accounts whose account anniversary date falls upto the last date of this performance period. Since fixed fees and expenses are charged on a quarterly basis, effect of the same has been incorporated upto 31st December, 2021; Since inception, 2 years & 3 years returns are annualised

Exhibit 1b: Consistent Compounders offshore fund advised by Marcellus as on 28th February'22 (US$)

Source: Marcellus; Performance data is net of annual performance fees charged for client accounts whose account anniversary date falls upto the last date of this performance period. Since fixed fees and expenses are charged on a quarterly basis, effect of the same has been incorporated upto 31st December, 2021; Other time period returns are absolute; NSE /FBIL for USD-INR exchange rate

SMALL CAP INVESTING: OPPORTUNITIES

Significant outperformance of stocks before inclusion in BSE 500

- On an average over the last ten years, about ~50 stocks have entered/exited BSE 500 every year indicating a high degree of churn.
- The biggest part of the relative outperformance for a stock entering BSE 500 occurs in the years preceding the inclusion.

Source: Bloomberg, Ace Equity. Relative returns (to BSE 500) are medians CAGR of stocks that have been included in the BSE 500. For prior returns, returns are measured until 1 quarter preceding the quarter of entry. The above returns calculation is for the entries from June 2002 to June 2020

Small Caps are under-researched and "under-owned"...

...resulting in significant valuation gaps vs Large caps

Source: Ace Equity, Bloomberg. Note: (1) We classify companies with market cap of >Rs150bn as Large Cap, between Rs20bn to 150bn as Mid Cap and below Rs20bn as Small Cap; (2) Market cap, analyst coverage and share price data as of July 31, 2020; (3) Institutional ownership data as of June 30, 2020; (iv) EPS and Book value considered for FY20

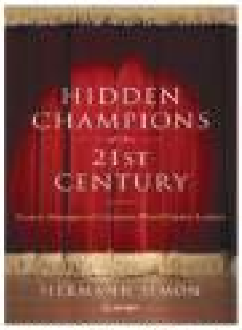
LITTLE CHAMPS: A PORTFOLIO OF NICHE COMPANIES WITH STRONG MOATS & SUSTAINABLE GROWTH

Little Champs

- Identity small-cap companies (market cap <US$500 million) with excellent corporate governance and capital allocation track record and strong sustainable competitive advantages built around brands, business processes and strategic assets.
- Characteristics of a typical portfolio company:
  - Sector leading franchise with stellar track record of capital allocation;
  - Clean accounts and corporate governance; and
  - High growth potential.

Look for Hermann Simon's celebrated 'Hidden Champions'

- SMEs, often family owned, producing inconspicuous products but ranked top globally for that product.
- Normally work in niche markets for which they design unique products often using proprietary process.
- Operate extremely close to their customers who depend on their products and cannot easily change their source.
- Competitive advantages of such firms are rarely because of cost leadership but more because of quality, total cost of ownership, high performance, and closeness to the customer.



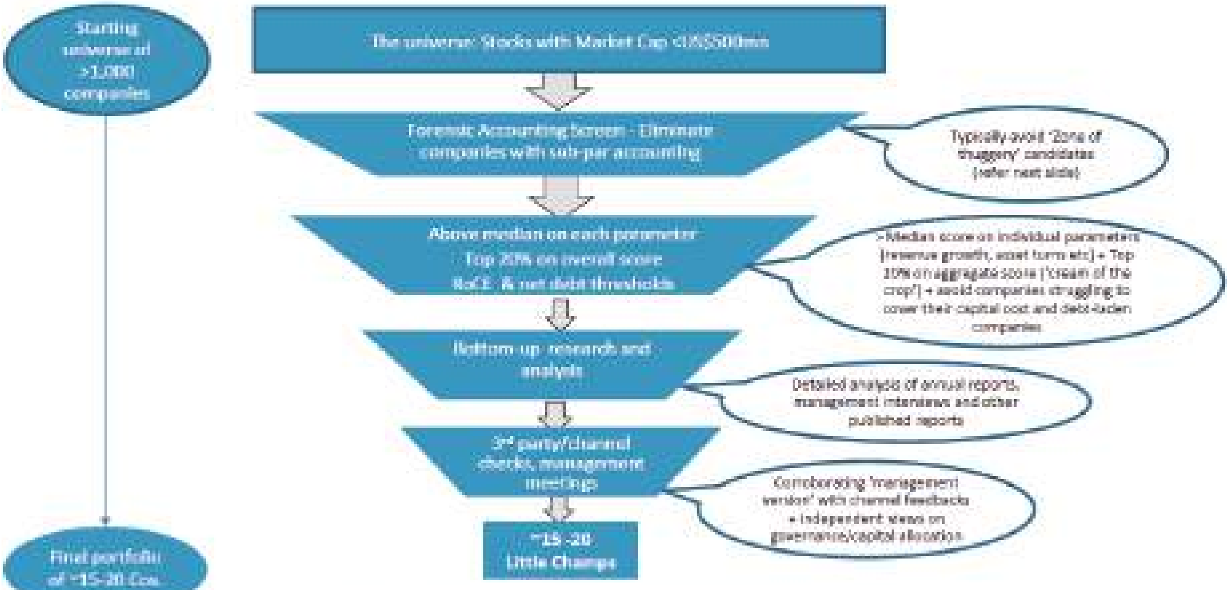
Source: Hidden Champions of the 21st Century, Hermann Simon

MARCELLUS

EQUANIMITY

LITTLE CHAMPS PMS*

RIGOROUS SCREENING AND DUE DILIGENCE TO IDENTIFY THE RIGHT STOCKS AND AVOID THE WRONG ONES



Note: The fund manager maintains discretion on stock inclusion in the portfolio. In case, a stock does not clear the above filters, the fund manager must record and present to the investment committee for approval, the reasons for such inclusion.

LIVE PORTFOLIO PERFORMANCE AND COMPARISON WITH BENCHMARK

Little Champs vs. Benchmark BSE Smallcap

Source: Marcellus Investment Managers. Note: (i) Portfolio inception date is August 29, 2019. (ii) Returns as of February 28, 2022. (iii) All returns are net of fixed fees and expenses charged till 31st December, 2021. Since performance fees for Little Champs Portfolio are charged on cumulative gains at the third anniversary of the respective client account, the effect of the same has not been incorporated in the performance returns. (iv) Returns shown above are net of transaction costs and includes dividend income. (v) Total returns index considered for BSE Smallcap above.

Little Champs' returns and drawdowns vs Nifty/BSE smallcap

Performance (Since Inception)	Return since inception (annualised)	Maximum Drawdown
Little Champs	34.4%	-37%
Performance of benchmarks		
BSE Smallcap	36.6%	-45%
Nifty	19.5%	-38%

Source: Ace Equity Note: Maximum drawdown based on daily returns from Aug 29, 2019 to February 28, 2022

WE PROACTIVELY SEEK TO INFLUENCE CHANGE

	Area of engagement	Desired outcome
Corporate governance	• Our analysts use forensic accounting to keep on eye on the diversion of cash by the 'promoters' of our investee companies	• If we spot diversion on a meaningful scale, we exit • If we spot the beginnings of what look like small scale diversion, we speak to the 'Promoter' and explain to her why her wealth creation can be compromised
Succession planning	• Thirty years from the reforms which opened up the Indian economy in 1991, many of India's leading 'promoters' are aged 70 or over. Hence, they are handing charge to the next generation.	• Through our discussions with suppliers, customers and competitors of a company, we keep a close eye on whether the 'promoter' is on top of his game. • If his successors either do not exist or have not been groomed adequately, we discuss the matter and its consequences with him.
Capital allocation	• Our investment strategy – of investing in dominant franchises with ROCE of around 40% - naturally leads us towards companies which generates heavy Free Cashflow. • If this Free Cashflow is not reinvested wisely, the compounding of the franchise suffers	• If we see a company either hoarding cash or moving into an unrelated, we engage with the 'promoter' to understand her thinking on capital allocation. • If we are not convinced about the fitness of what she's doing, we present our point of view (arguing in favour of a different capital allocation strategy) • If six months later we see that our engagement has made no difference, we consider exiting
Regulatory constructs	• Regulation – both in corporate law and in securities market law – is still evolving in India. This creates risks for the unwary.	• By being a part of multiple regulatory committees, by writing in the press and by being vocal on social and broadcast media about regulatory reform, we have sought to improve transparency in the fund management industry in India

THE TEAM AND CONSULTANTS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Rajesh Sehgal, MBA, CFA


Mark Mobius, PhD


Shilpa Sehgal, FCA


Vivek Saxena, MBA

ICICI Venture

Overview of ICICI Venture

ICICI Venture, established 1988, is a pioneer in Indian Alt Assets market

ICICI Venture at a Glance

$5bn	600+	100+	81+
AUM/A since inception	Investments since 1988	Investments since 2002	Exits since 2002

Our Existing 4 Verticals

		Private Equity	Real Estate	Infrastructure	Special Situations
AUM/A[1]		$1.6bn[2]	$700mn[2]	$453mn[3]	$1.25bn[4]
Strategies		Growth Equity	Equity	Energy	Debt, Mezzanine
		Joint Control	Debt	Utilities	Distress Buyouts
		Buyouts	Mezzanine	Buyouts	Equity Recaps

Sector Footprint

- Banking, Financial Services, Insurance
- Consumer, Retail/eTail Brands
- Healthcare, Pharmaceuticals
- Media & Entertainment
- Manufacturing, Industrials, Logistics
- RE & Infra

[1] Excluding IC AUM (1988-2002); [2] Includes co-invest capital; [3] Through Resurgent Power which is co-sponsored by ICICI Venture and Tata Power Company; Figure represents equity capital commitments; [4] Through AION which is in a strategic alliance between ICICI Venture and Apollo Global (US). As of April 2020, ICICI Venture and Apollo have jointly agreed to a revised format whereby AION will continue to be managed by Apollo and advised by ICICI Venture until the end of its term. Each of ICICI Venture and Apollo are free to pursue future investment opportunities independently.

Overview of ICICI Group

ICICI Venture leverages ICICI Group linkages

Trusted Brand Name

- Strong brand identity in the Indian ecosystem
- Partner of choice for global and domestic investors

Access to Proprietary Deal flow

- Longstanding relationships across the ecosystem of Indian businesses: owners/promoters, bankers, regulators, policy makers and consultants
- Being one of India's largest banks, well connected across the spectrum of small, medium and large corporates

Deal lifecycle

- Sectoral expertise and information
- Institutional knowledge and experience
- Privileged market insights from networks with key stakeholders
- Relationships across the value chain

Access to a large pool of talent and infrastructure

- Support from the banking, insurance, capital markets intermediation and asset management teams
- Access to financing options / M&A advisory

Our PE exit track record (2009 onwards)

We have a proven, superior exit track record through diverse strategies

Realisation by exit strategy[1]

Examples of different exit strategies

RFCL	GO COLORS!	KIMS	STAR	WABAG
Exit Strategy : Sum of parts sale	*Exit Strategy: IPO*	*Exit Strategy : Sale to PE*	*Exit Strategy: Sale to Strategic,PE*	*Exit Strategy : IPO*
Investment : Dec-2009	Investment : Jan-2018	Investment : Jun-2014	Investment : Mar-2010 (IAF3) / Aug -2016 (IAF4)	Investment : Apr-2005
Exit : Feb-2011	Exit: Nov/Dec 21 (Partial)	Exit : Jun-2018	Exit : Mar-2020	Exit : Jul-2011
Gross INR MOIC: 8.2x[4]	Gross INR MOIC : 6x	Gross INR MOIC : 2.8x	Gross INR MOIC :6.2x/3x	Gross INR MOIC : 29.8x
Gross INR IRR: 81.9%[4]	Gross INR IRR: 59%	Gross INR IRR: 29.8%	Gross INR IRR: 25% / 53%	Gross INR IRR: 110%

[illegible]

IAF4 Portfolio Overview

Backing leaders and emerging leaders in fast growing sectors in India

IAF4 Portfolio	Entry Year	Investment[1] (INR Mn)	Sector	Strategy	Original Stake	Exit Strategy
STAR	2016	1,000	BFSI	Growth PE	4.10%	Exited to strategic, PE
GO COLORS!	2018	1,000	Consumer	Growth PE	11.76%[2]	Partially exited (IPO, markets)
India1	2019	1,000	BFSI	Joint Control	21.48%[3]	IPO in progress
ontheo	2016	1,650	Mfg	Growth PE	20.22%[3]	Sale to PE / IPO
KIMS	2021	1,800	Healthcare	Growth PE	2.42%	Listed (Capital markets)
[illegible]	2017	1,250	Consumer	Joint Control	46.5%	Sale to strategic/PE
DCB BANK	2018	2,298	BFSI	Growth PIPE	4.30%	Listed (Capital markets)
[illegible]	2021	1,600	Mfg	Growth PE	15.0%-24.2%	IPO
MAGMA HDI	2021	2,400[4]	BFSI	Growth PE	16.55%[4]	Sale to PE/IPO/strategic

[illegible]

[illegible]

IAF4 deal log

Proposed key fund terms (India Advantage Fund S5 II)

Key fund terms*

Indian Fund (Feeder Fund)	Organized as a close-ended, contributory, determinate trust, under registration with SEBI as a Category II AIF (Fund of Funds). ICICI Venture is Settlor, AIF Sponsor, Manager of the Feeder Fund. Will invest solely in India Advantage Fund S5 I which is organized as a close-ended, contributory, determinate trust, registered with SEBI as a Category II AIF (Master Fund). ICICI Venture is Settlor, AIF Sponsor, Manager of the Master Fund
Minimum Capital Commitment	INR 10 Million (or as per extant SEBI AIF Regulations)
Final Closing	18 months from First Closing (excluding extensions, if any)
Investment Period	5 years from First Closing (excluding extensions, if any) for Master Fund. Feeder Fund to be co-terminus with Master Fund
Fund Term	8 years from Final Closing (excluding extensions, if any) for Master Fund. Feeder Fund to be co-terminus with Master Fund
Management Fee	2% p.a. (net of GST) at Master Fund level plus INR 1 Mn p.a. (net of GST) at Feeder Fund level. Master Fund Management Fee to be charged on the basis of Capital Commitment made by Feeder Fund during Investment Period and net invested capital thereafter
Offering Expenses (Class FC1 Unit-holders)	Upto 2% (net of GST) of the capital commitment made by Class FC1 Unit holders. Will form part of overall Capital Commitment
Feeder Fund Expenses	Feeder Fund Set up Expenses and Operating Expenses shall be charged at actuals, subject to a cap of 0.25%^ per annum (net of GST) as percentage of aggregate capital commitments received by the Feeder Fund at it's Final Closing, on an annualized average basis over Feeder Fund's term, plus pro-rata share of Master Fund Expenses
Master Fund Expenses	Master Fund Set up Expenses and Operating Expenses shall be charged at actuals, subject to a cap of 0.75%^ per annum (net of GST) as percentage of aggregate capital commitments received by the Master Fund at it's Final Closing, as calculated on an annualized average basis over the Master Fund's Term or Extended Term as maybe applicable, excluding one-time acquisition and divestment expenses incurred by the Master Fund
Hurdle Rate of Return	Applicable at Master Fund level (12% IRR on INR basis, pre-tax with full catch up)
Additional Return	Applicable at Master Fund level only (20% on whole fund basis)
Application Money (Class FC1 Unit-holders)	10% of Capital Commitment. Will form part of overall Capital Commitment and shall be utilized towards first drawdown

*Subject to legal & tax advice, SEBI Regulations and approvals; for further details please refer PPM; ^ subject to final closing size being equal to target size

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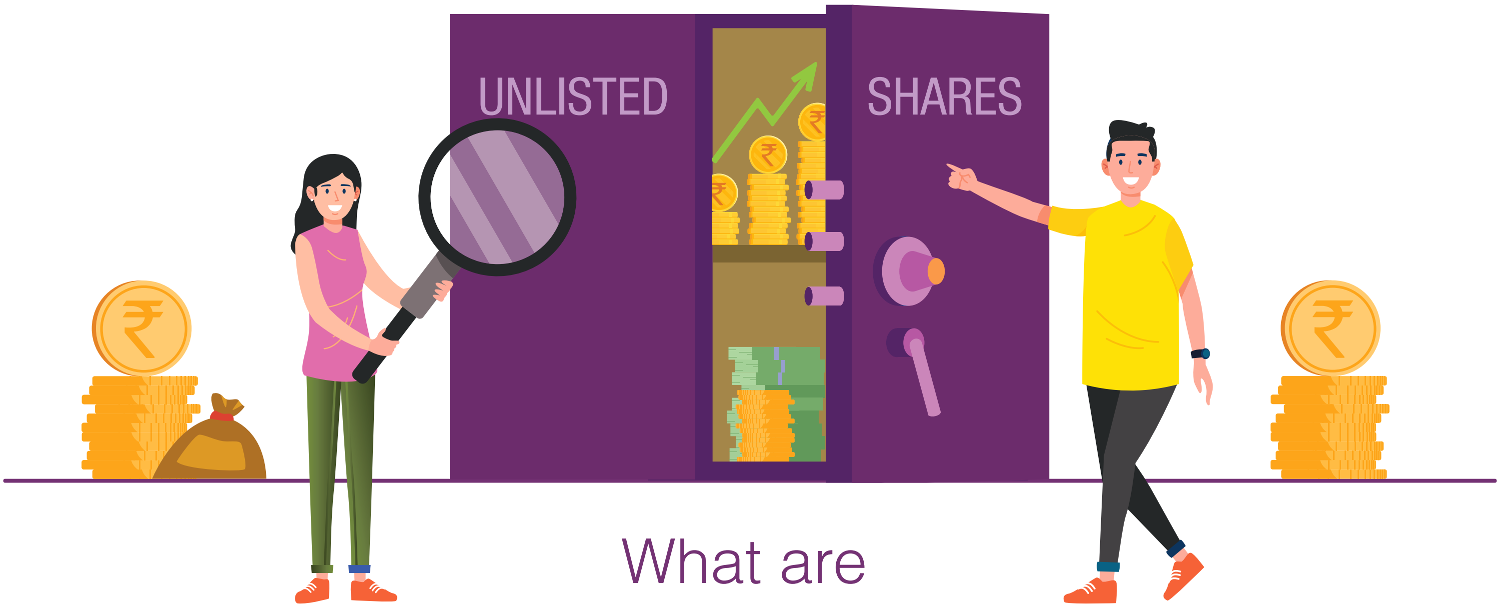

What are **Unlisted Shares*?**

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	Retail
HDB Financial Services Ltd.	Financial Services
Chennai Super Kings	IPL Team
TATA Technologies Ltd.	Engineering
PharmEasy (API holdings Ltd.)	Healthcare Product
Studds Accessories Ltd.	Helmet Accessories
Care Health Insurance	Insurance
Sterlite Power Transmission Ltd.	Power & Transmission
Phillips India Ltd.	Electronics
Mohan Meakin Ltd.	Beverages
Kurlon Ltd.	Mattresses
Hero Fincorp Limited	Financial Services

*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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INVESTMENT SERVICES

The Investments recommended in News letter / research reports, may not be suitable for all investors. Investors must make their own investment decisions based on their own specific investment objectives and financial position and using such independent professional advisors as they believe necessary.

Anand Rathi Share and Stock Brokers Ltd.,

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Registration No.: INZ000170832 (BSE-949 | NSE-06769 | MSEI-1014 | MCX-56185 | NCDEX-1252), Research Analyst - INH000000834, CDSL & NSDL-(IN-DP-437-2019) | AMFI: ARN-4478 is Registered under “Anand Rathi Share & Stock Brokers Ltd.” | ARN-100284 is Registered under “AR Wealth Management Pvt. Ltd.” | ARN-111569 is Registered under “Anand Rathi Wealth Services Limited.”PMS: INP000000282 is Registered under “Anand Rathi Advisors Limited” | SEBI INV. ADV. - INA000000268 is Registered under “Anand Rathi Advisors Limited.” LAS is Registered under “Anand Rathi Global Finance Limited” Regn. No.: B-13.01682. Insurance is Registered under “Anand Rathi Insurance Brokers Ltd.” License No. 175. The information is only for consumption by the client and such material should not be redistributed.