AnandRathi
Private Client Group
Equity
PCG

FINANCIAL

FLASH

July 2022

www.anandrathipcg.com

Index

PCG Communique

From the Desk of the PCG Head

Rajesh Kumar Jain

Consolidation with Volatility Ahead!!!

June was quite a volatile month for equities as the US Fed rattled the global markets with a 75bps rate hike and the depreciating rupee hit an all-time low to cross the 79 mark. Dow Jones corrected by around 7 percent in June clocking the steepest fall in a month since the pandemic struck us. The volatility was compounded by the moves in Brent Oil as it swing to form a high of $125 & low of $104.35 in June.

The month of June has seen the highest ever outflow by the FIIs in a single month. FIIs have sold to an extent of 58,112CR while DII has been a net buyer to a tune of 46,599CR. June has been a month where FII has been a seller every day. Although it was a month dominated by the bears, outperformance was seen in Auto especially – Maruti Suzuki India and M&M followed by ITC and a few FMCG names.

Major selling pressure in June was seen in metals and cement stocks. The Nifty corrected from the high of 16,794 down to touch 15,183 as the panic low for June. Some respite was seen towards the end of the month as profit booking in shorts was seen and the Nifty bounced back around 750 points from the low.

International crop prices registered significant drops in important pockets in the past week. Egypt lowered imports, leading to a sharp crack in wheat prices. Vegetable oil prices corrected on Indonesia's return to export markets. Growing fears of a U.S. recession exerted pressure on cotton, which has seen the worst rout in a decade in the recent decadal top. Fertilizer prices have also revealed some weakness, with U.S. prices of ammonia, urea, and ammonium phosphate correcting by double-digits in the past month, presumably due to weak demand. Locally Steel prices have fallen due to the export duty levied by the govt.

There is a high probability that inflation may cool off in the coming months as most of the commodities have seen some amount of correction in June and going forward we believe that commodities will be on a downward cycle because of fear of recession, weak demand, low household consumption, de-stocking, improving the supply chain, etc.

Most of the companies will be declaring their 1st Qtr results in July and we believe most of the companies operating margins will see a cut due to high commodity prices also most of the companies haven't been able to pass on the rise in input prices to the end consumer. Companies have been able to pass only 40%-60% of the rise in input prices to the end consumer while the rest has been absorbed which will dent their operating margin, which will be visible in the 1st qtr results. Also, it will be difficult for most of the companies to show a growth uptick in their 1st qtr performance due to a higher base of FY21-22 Vs a lower base of FY20-21 plus the commodity prices which will dent the margins. But as commodity prices cool off, most analysts are also of the opinion that crude prices will not stay at these elevated levels for long and a fall below the $100 mark can be seen by the end of the 2nd qtr and further in the 3rd qtr.

Currently Market is oscillating between the walls of worry to the wall of optimism. Whereas mkt is nervous about crude @ $110-$120, US Recession, Inflation & interest rates Vs Indian mkt at a reasonable valuation, P/B at very reasonable levels, the confidence of Indian investors on Mkt, earning growth coming in after 3- 4 qtr with commodity prices cooling off and crude can't stay at these elevated levels for long.

We believe Index would continue to stay at this tight range of 15000-17000 levels for the whole year. And if it stays at this tight range wherein the prices at the index level remain stable then we believe there will be a lot of time correction in the mkt vs a price correction. So EPS will keep inching up whereas the prices neutralize which we are already seeing which has resulted in PE correction. We estimate the FY23E EPS at 872 & FY24E EPS at 923 which gives us a PE multiple of 18 for FY23E & 17 for FY24E Vs the last 10 years' average mean PE of 19. Valuation wise we are not expensive currently. So might be the short term looks cloudy the long term remain attractive with every price correction will help contraction in mkt PE and is taking mkt to a more attractive level for investing.

Recent positive news on (1) recovery in monsoons, (2) decline in commodity prices, and (3) collapse in metal prices raises hopes about domestic inflation peaking over the next few months and trending down in H2FY23.

Sector to watch is Auto, Banking and Financials, Renewable, IT.

There is a popular proverb in the world of investments that goes ***"The market is designed to transfer money from active to the patient. Investing is not about hitting jackpots, it is about systematically creating wealth."***

Market Commentary

The Nifty index ended June month at 15,780 with a negative return of 4.5%. However, Sensex ended June month at 53,019 with a negative return of 4.3%.

Indian equity benchmarks managed to eke out slender gains during the passing week and ended above their crucial 52,900 (Sensex) and 15,750 (Nifty) levels. Markets made an optimistic start to the week as sentiments got a boost with Commerce and Industry Minister Piyush Goyal's statement that India is one of the fastest-growing economies in the world and it is expected to reach $30 trillion in the coming 30 years. He said if India grows at 8 percent every year on a compounded annual growth basis, the economy will double in about nine years. Some optimism also came as a private report stated that India is rapidly emerging as a preferred country for foreign investments as the steps taken by the government led by Prime Minister Narendra Modi during the last eight years have borne fruit as is evident from the ever-increasing volumes of FDI inflow setting new records.

The global economic uncertainties have intensified since the start of 2022. The protracted war in Ukraine is keeping the commodities, particularly oil, gas, metals, and certain food products prices elevated. With the vaccination of a large part of the global population, the chances of global lockdown are now rather low. Yet, due to the zero Covid policy of China, the possibilities of economic disruption continue. Supply-chain disruptions have resulted in a significant increase in inflation across the world. In response to such high inflation, the monetary policy rates are going up sharply across the world. Liquidity infused during the pandemic is being withdrawn and fiscal stimuli are being reversed.

Elevated inflation, aggressive policy tightening, and the possibility of a significant decline in growth rate are factors that are impacting the financial markets globally. In the bond markets yield rates have gone up, annual equity returns have turned negative, and most currencies are depreciating against the US dollar. The slowdown of growth rate, the possibility of a recession in the US, the likely worsening of the job market, and high fuel and commodity prices are deteriorating the corporate earnings outlook. An increase in interest rate, sharp corrections in the equity markets, and aggressive withdrawal of liquidity are making investors risk-averse resulting in the withdrawal of equity investments. These factors are deteriorating the near-term outlook of the equity market.

Foreign ownership including both portfolio and direct investment accounts for well over 50% of the free-float (non-promoter) market capitalization of Indian listed companies. Consequently, the Indian equity market cannot remain unscathed by global liquidity tightening and changes in investor sentiments. More than US$20 billion has been withdrawn by foreign investors from the Indian equity market during 2022. This has created uncertainties about the future outlook of the Indian equity market as it is perceived that without significant inflow from foreign investors, the Indian equity market may not be able to provide good returns even in the medium term. Possibilities of deterioration of macro and corporate fundamentals and withdrawal of liquidity from the Indian equity market are valid worries. Yet, we think that the concerns are being overblown particularly from a medium to longer-term perspective.

In terms of economic performance, the IHS Markit India Manufacturing Purchasing Managers' Index (PMI) came in at 53.9 in June as against 54.6 in May signaling a twelfth consecutive monthly improvement in the health of the sector. However, falling from 54.6 in May, the latest reading showed the weakest pace of growth since last September. Inflation concerns continued to dampen business confidence, with sentiment slipping to a 27-month low. Elsewhere, input delivery times shortened for the first time since the onset of COVID-19.

The IHS Markit India Services PMI continued its strong recovery as it came in higher at 58.9 in May up from 57.9 in April, indicating the fastest rate of expansion in over 11 years. Anecdotal evidence suggested that the upturn in output reflected better underlying demand and strong inflows of new work. The increase was sharp and the quickest since July 2011. Service providers mentioned that demand continued to strengthen following the lifting of COVID-19 restrictions and the resumption of events.

India's retail inflation, measured by CPI cooled down to 7.04% in May as compared to an 8-year high of 7.79% in April owing to excise duty cuts for petrol and diesel and duty cuts on other items. However, it remained above the RBI's target range of 2%-6% for the 5th straight month. Prices of food rose 7.84 percent, particularly vegetables (18.26 percent), oil and fats (13.26 percent), and spices (9.93 percent). Additional upward pressure came from costs of transportation & communication (9.54 percent); clothing (8.53 percent) and health (5.49 percent). Every month, consumer prices went up 0.94 percent, after a 1.43 percent advance in April.

India's monthly exports grew by 15.5% year over year to $37.3 billion in May 2022 vs $32.3 billion in May 2021. At the same time imports increased by 44.7% year over year to $60.6 billion in May 2022 vs $38.8 billion in May 2021. The Goods and Services Tax (GST) collection in May 2022 stood at ₹1.41 lakh crore up 44% YoY however on a QoQ was down 16% QoQ. Also, India's foreign exchange reserves rose over $2 billion in the week ending June 24 after falling for three weeks in a row, as the dollar tumbled against most major currencies even as the rupees plunged to new record lows continued. The country's forex reserves rose by $2.735 billion to $593.3 billion during the week ending on June 24, from $590.6 billion in the prior week, according to the latest Reserve Bank of India's weekly supplement data. Additionally, Foreign Portfolio Investors (FPIs) were net sellers of Rs. 51,422 crores in June, driven by net outflows in equity of Rs. 50,203 crores.

The U.S. markets ended lower during the passing week amid lingering concerns about the global economic outlook and the possibility of a recession. Revised data released by the Commerce Department showed U.S. economic activity shrank by slightly more than previously estimated in the first quarter of 2022. The report showed the decrease in the real gross domestic product in the first quarter was revised to 1.6 percent from the previously reported 1.5 percent. The street had expected the drop in GDP to be unrevised. The slightly bigger than previously estimated decline in GDP in the first quarter came on the heels of the 6.9 percent spike in GDP in the fourth quarter of 2021. GDP fell by more than previously estimated as the increase in consumer spending during the quarter was downwardly revised to 1.8 percent from 3.1 percent. The Commerce Department noted the significant downward revision in consumer spending growth was partly offset by an upward revision in private inventory investment.

European markets ended the passing week on a lower note. The start of the week was in green, as Italy's industrial turnover rose for the fourth month in a row in April. The data from the statistical office Istat showed that industrial turnover increased 2.7 percent month-on-month in April, following a 2.5 percent rise in March. Domestic turnover rose 2.7 percent monthly in April, following a 2.8 percent growth in March. Foreign turnover gained 2.7 percent, after a 1.9 percent rise. Turnover of energy grew 6.0 percent monthly in April and that of intermediate goods rose 2.0 percent. Besides, Germany's retail turnover recovered in May driven by non-food sales. The data published by Destatis showed that Retail sales grew by a real 0.6 percent in May, in contrast to a 5.4 percent fall in April. After a significant decline in April, food retailing dropped slightly by 0.6 percent from the previous month. Non-food sales logged an increase of 2.9 percent. Clothing and footwear sales achieved strong growth of 10.6 percent. Every year, retail sales decreased by 3.6 percent in May, bigger than the expected fall of 2.0 percent.

Meanwhile, The US manufacturing sector signaled subdued improvements in operating conditions during June, according to the latest USA's Manufacturing PMI which came in at 52.7 in June, down notably from 57.0 in May but up slightly on the earlier released 'flash' estimate of 52.4. The latest headline index reading was the lowest for almost two years and pointed to a relatively subdued improvement in operating conditions. The decrease in sales was the first since May 2020, with domestic and foreign client demand falling. As a result, firms utilized their current holdings of inputs and finished goods to supplement production, with input buying stagnating and supply chain delays easing. A reduction in new orders, combined with a sustained rise in employment led to greater success in clearing backlogs of work, which increased at a notably weaker pace. At the same time, inflationary pressures remained historically elevated, but increases in input costs and output charges eased to three-month lows.

Eurozone manufacturing economy ended the second quarter on a low as production levels fell for the first time in two years. The S&P Global Eurozone Manufacturing PMI fell to 52.1 in June, down from 54.6 in May. The slowdown trend seen across the euro area on aggregate reflected a broad-based weakening across all the monitored constituent nations during June. The best-performing country was once again the Netherlands, although growth here slumped to a 19-month low. Compared to May, Austria registered the sharpest slowdown, with its respective Manufacturing PMI falling by over 5 index points. The weakest-performing nation was Italy, which registered its softest upturn in two years. A general slowdown in demand for goods was mentioned by survey respondents, although many commented on the reluctance of clients to place new orders at current price levels. Weakness was also seen in export flows during June as overseas new business fell for a fourth consecutive month.

The au Jibun Bank Japan Manufacturing PMI declined to 52.7 in June 2022, matching the preliminary reading, and after a final 53.3 a month earlier. While marking the lowest figure in four months and signaling the joint-softest operating conditions since last September, the latest print still represented the 17th straight month of expansion in factory activity, amid the lifting of COVID-19 curbs. Output rose at the slowest rate in the current four-month sequence of growth, and buying levels eased, while new orders rose only fractionally. In the meantime, employment continued to rise, with the rate of job creation broadly unchanged from May's modest pace. Delivery times lengthened at the slowest rate in four months, albeit still rapidly overall. On prices, input cost inflation eased for the first time in four months and was the slowest since February, meanwhile, output cost inflation accelerated to the fastest rate in the survey history. Finally, sentiment strengthened to a three-month high.

Regarding China, The National Bureau of Statistics Manufacturing PMI for China rose to 50.2 in June 2022 from 49.6 in the prior month, this was the first expansion in factory activity since February and the steepest pace in six months, as major economic hubs, including the financial capital Shanghai, emerged from virus lockdowns.

Going Ahead

Despite the weak and volatile global scenario India’s macroeconomic fundamentals continue to remain in good shape. Monthly economic activity indicators such as industrial production, infrastructure activities, exports, imports, e-way bill issuance, GST collection, electricity generation, and cargo transportation by railways, all suggest a continued pickup in demand in the last four quarters. The funding indicators including bank credit growth and bank deposit growth also suggest restoration of normalcy after the pandemic as cement creation in urban India. A forecast by the International Monetary Fund suggests that India will be the fastest-growing major economy in the world during 2022 as well as 2023.

Also, quarterly results of the corporate sector suggest that listed companies are going through a high growth phase. Corporate results for the quarter ending March 2022 show that the upward movement in corporate revenue and profitability since December 2020 is continuing. Despite significant cost pressures leading to margin compression, corporate margins remain higher than what prevailed before the pandemic. However, despite considerable variation in Indian and global economic and corporate sector situations during the last 25 years, only in 4 years did foreign portfolio flows towards India turned negative, out of which only in 2 years the outflow was more than one billion dollars. In addition, every time after an outflow, India received high portfolio investment inflows in the next 2-3 years. Therefore, foreign portfolio flows over the next couple of years are likely to be very different from what is being witnessed in 2022 so far.

All these factors suggest that while the Indian equity market can be volatile for the next few months, the attractiveness of India’s economic and corporate performance would eventually result in a rebound in the Indian equity market. The turn of events in the financial markets is raising many questions.

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.

Fixed Income Services

Monetary Policy Update

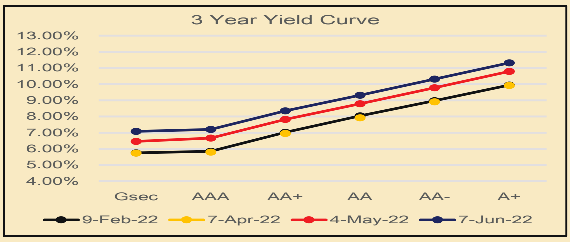
On 8th June, 2022, the Monetary Policy Committee (MPC) based on the assessment of the current macroeconomic situation, unanimously increased the Repo rate by 50bps to 4.90%, continuing the focus on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth. The Market took comfort in this announcement as the 10 Year G-sec yields fell to nearly 7.43% during the day from the previous close of 7.52%, which eventually closed at 7.49%.

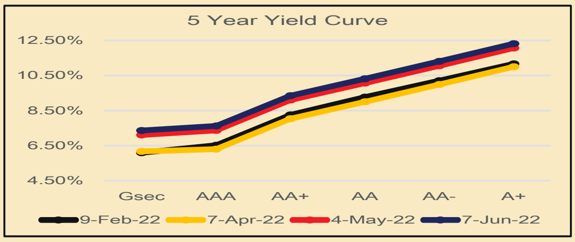
Key Rates:

- Repo Rate: 4.90% • Bank Rate: 5.15%
- Marginal Standing Facility (MSF) Rate: 5.15%
- Standing Deposit Facility (SDF) Rate: 4.65%
- Cash Reserve Ratio (CRR): 4.50%

While this rate hike was a no brainer, the bond prices had already factored in for a large part of future rate hikes pre-policy. This sentiment also stems from absence of hike in Cash Reserve Ratio (CRR) which kept the yield levels from rising. With the lingering war & upside risks to inflation emanating from elevated commodity prices, the inflation target has been revised to 6.7% as growth target remains unchanged 7.2%. Over the last few months, long term yields have gone up by ~100bps and short term yields have hardened by ~150bps which means the debt markets have already factored in a couple of rate hikes. While the RBI is looking to normalise the pandemic related extraordinary liquidity accommodation over a multi-year time frame, it is also committed to ensuring availability of adequate liquidity to meet the productive requirements of the economy. Going forward, actual inflation and liquidity measures will drive yields.

The 3 year and the 5 year yield curve below demonstrates how yields have moved since the last review in May, 2022:





Source: RBI Press Release, Fixed Income Databases

- As seen above, the 3 year and 5 year yield curve saw hardening across credits over the May review, with the 3 year and 5 year curve hardening by ~53bps and ~25bps respectively.
- The AAA spread over G-sec has compressed by ~9bps in the 3 year space, from 21bps to ~12bps, while the 5 year spread remained unchanged at ~26bps since May, 2022.
- The 3 year G-sec hardened by ~62bps whereas the rest of the 3 year curve hardened by 53 bps leading to the compression in the 3 year AAA spread over G-sec.

Secondary Market Bond Offers

Tax Free Quotes

Security	Maturity/C	IP	Rating	Yield
7.36% PFC Tax Free 2028	04-Jan-28	Annual on 04-Jan	IND AAA/Stable	5.49%
8.46% REC Tax Free 2028	29-Aug-28	Annual on 29-Aug	IND AAA/Stable	5.48%

PSB Perpetual Quotes

Security	Maturity/C	IP	Rating	Yield
7.72% SBI Perp 2026	03-Sep-26	Annual on 03-Sep	AA+ by CRISIL & IND	7.71%
7.74% SBI Perp 2025	09-Sep-25	Annual on 9-Sept	AA+ by CRISIL & IND	7.50%

PSU Quotes

Security	Maturity/C	IP	Rating	Yield
8.95 PFC 2028	10-Sep-28	Annual on 10-Oct	AAA by CRISIL,CARE & ICRA	7.70%
8.24 NABARD 2029	22-Mar-29	22-Mar & 22-Sep	AAA CRISIL & ICRA	7.62%

Corporate Bonds

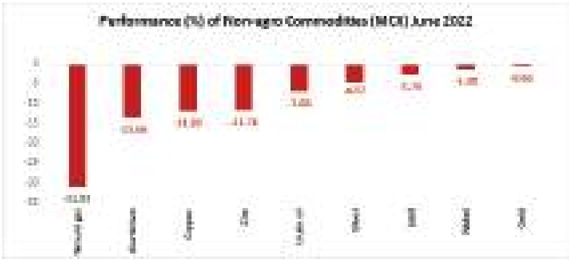
Security	Maturity/C	IP	Rating	Yield
6.75 Piramal Capital & Housing Finance Ltd. 2031	Staggered Maturity (31-Sept-31)	28-Mar & 28-Sept	AA by ICRA & CARE	11.00%
8.05 Mahindra &Mahindra Financial Services Ltd 2032	24-Jul-32	Annual on 01-Apr	AAA by IND Ratings & CARE	7.85%
7.86 HDFC LTD 2032	25-May-32	Annual on 25-May	AAA CRISIL & IND	7.60%
10.25 Shriram Transport Finance Corporation 2024	26-Apr-24	Monthly on 28th	AA+ CRISIL & IND	8.50%
8.50 Tata Capital Fin Ser 2029	06-Nov-29	Annual on 06- Nov	AAA by CARE & AA+ By CRISIL	7.73%
7.40 Muthoot Finance Ltd 2024	05-Jan-24	Annual on 05-Nov	AAA by ICRA & CRISIL	6.80%
8.95 Aditya Birla Finance 2029	06-Jun-29	Annual on 06-Jun	AAA by CARE & IND	8.09%
7.79 LIC Housing Finance Ltd 2027	23-Jun-27	Annual on 23-Jun	AAA by CRISIL & CARE	7.60%
9.70 UP Power 2028	Staggered Maturity (31-Sept-31)	30 Jun, 30 Sep, 31 Dec, 30 Mar	A+ (CE) BY CRISIL & INDIA RATINGS	9.35%
8.73 L&T Infra Debt Ltd. 2026	24-Feb-26	Annual on 24-Feb	AAA by CRISIL & CARE	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.'

Commodities Outlook

Recessionary fears put pressure on the majority of the commodities



(Source: Bloomberg)

Spot gold declined for the third back-to-back month and dropped by 1.7% to $1,807.3 an ounce. MCX Gold August future ended with 0.66% losses at Rs. 50,517 per 10 gram. MCX Silver July future closed with a fall of more than 4% at Rs. 58,887 per kg. Holding at the world's largest gold ETF, SPDR Gold Trust moved lower to 1,050 tonnes as of 30th June 2022 from 1,068.4 tonnes as of 31st May 2022. Spot silver dropped by approx. 6.2% to around $20.35 an ounce in June, hitting the lowest since July 2020.

Fed Chair Jerome Powell and his European counterparts may be forced to tear up their playbook of the last 20 years as they debate how to tackle persistent price pressures and slower growth. Speaking at the ECB's annual forum, President Christine Lagarde said it's unlikely that the world will soon go back to a low-inflation environment as a result of the pandemic and geopolitics. That could portend even more aggressive policy tightening than expected.

Fed Bank of Cleveland President Loretta Mester told that the US central bank is "just at the beginning" of rising rates and she wants to see the benchmark lending rate reach 3% to 3.5% this year and "a little bit above 4% next year," even if that tips the economy into a recession. The lingering uncertainty on the extent of policy-tightening to curb inflation may still be having a hold on the yellow metal's prices, with central bankers' comments continuing to reiterate their resolve in keeping prices down as a priority.

The ECB may be forced to raise rates, in line with steps taken by other central banks. For yet another month, we continue to remain bearish on bullion commodities. Gold may extend its downward momentum into July, and may test the $1,750 - $1,730 an ounce region, as investors are concerned abound an aggressive pace of Fed tightening. Fed policymakers look poised to deliver a series of interest rate hikes this year to tame inflation.

India, meanwhile to curb import bills, has increased the import duty on gold by 5%. The current account deficit has almost doubled from the same time a year ago. Hence prices are likely to shoot - up in the near term. MCX Gold August has strong support near Rs. 50,000 per 10 gram in July, around those levels we may see a strong buying momentum. MCX Silver July is expected to rebound to Rs. 62,000 per kg owing to a short-covering and recovery in the industrial demand.

Base metals declined as China's demand diminished

Industrial metals posted a second straight monthly loss as uncertainty over China's plans to ease lockdowns weighed on investors, while Covid-19 restrictions continue to dampen demand. On the LME Copper, aluminum and nickel retreated, concluding a second monthly loss, while lead, and zinc advanced. The mixed picture we are seeing could be attributable to uncertainty about what the Chinese authorities are going to do in the event of another Covid breakout, especially now that people will start to move around.

China's factories struggled in May with the official manufacturing purchasing managers' index showing a contraction for a third month. Still, the rate of contraction has slowed, suggesting that the worst of the economic fallout from a resurgent virus may be coming to an end. Shanghai said it will resume transportation and allow free movement of most residents from 1st June, a major step toward dismantling a bruising two-month lockdown.

Still, the effects of the restrictions on production and supply chains will likely be felt for months as businesses struggle to restart. The threat of further virus-related lockdowns in the event of more outbreaks has weighed on business confidence, resulting in less investment in expansion. Consumers are also more likely to save, rather than spend, amid the uncertainty.

China's reopening might very well have a 'stop-go' type of feel to it as authorities clamp down on case spikes as and when they occur. The LMEX Index plunged 6.1% in May after tumbling 6.6% in the prior month. Before the lockdowns in China, metals had been trading at the highest since 2008 as Russia's invasion of Ukraine roiled global markets.

Base metals have been under pressure in the second quarter as the US Federal Reserve's tightening policies amid stubbornly high inflation and China's restrictions have fueled concerns over a global recession. The outlook is mixed for the industrial metals, with the People's Bank of China asking local banks to help struggling real estate players. The move represents increasing concern from officials following repeated so-called window guidance for faster property lending in previous months. Yet developers' cash flows from bank loans have plunged almost 30% in recent months, undermining President Xi Jinping's efforts to arrest a property slump that's worsening a slowdown in the world's second-largest economy. Hence Copper may rebound amid rising demand from the industry, MCX Copper June' suture my rise to Rs. 845 per kg in this month.

Recession fears spooked oil bulls

WTI Crude oil futures saw the first monthly decline in seven and closed at $105.7 per bbl, down 7.8%, amid escalating fears over an economic slowdown as central banks aggressively raise interest rates to combat surging inflation have dented oil this month. That's overshadowed rapidly tightening energy markets. Additionally, uncertainty over future OPEC+ output and signs of weakening US gasoline demand also weighed negatively, after EIA gasoline inventory data showed demand was beginning to falter three weeks into peak driving season. On the supply side, major producers Saudi Arabia and the UAE have little to no extra capacity to raise output, while political unrest in Libya and Ecuador threatened to tighten supply further, which kept losses in check. Leaders at the G7 meeting reviewed the specifics of a potential "price cap" on Russian oil as Western countries attempt to limit both the energy-related revenue flowing to Moscow and the economic pain in the rest of the world. One method of doing so could involve applying secondary sanctions on importers that pay more than a specified level for Russian crude. Another suggestion involves modifying the EU's forthcoming prohibition on providing shipping insurance for Russian crude to only prohibit such transactions if they reach a certain price level. About 95% of the world's tanker fleet is insured through the International Group of Protection & Indemnity Clubs in London. However, Moscow has already begun to put in place an alternative to the P&I clubs, offering insurance through the Russian National Reinsurance Company. That may be good enough for some of the Indian and Chinese companies that are now providing the bulk of the market for Russian crude.

European-brokered efforts to revive the Iran nuclear deal are likely to resume following US President Joe Biden's visit to the region this month after an intense round of talks in Doha failed to overcome differences. High oil and gas prices due in part to Russia's invasion of Ukraine are a key driver behind the Western push to at least get Iran back to the negotiating table, while, a threat that discounted Russian crude poses to its market share in China by far the largest buyer of sanctioned Iranian oil must surely figure in Tehran's calculations.

China's crude oil imports from Russia soared 55% from a year earlier to a record level in May, displacing Saudi Arabia as the top supplier, as refiners cashed in on discounted supplies amid sanctions on Moscow over its invasion of Ukraine. Imports of Russian oil, including supplies pumped via the East Siberia Pacific Ocean pipeline and seaborne shipments from Russia's European and Far Eastern ports, totaled nearly 8.42 million tonnes, according to data from the Chinese General Administration of Customs. That's equivalent to roughly 1.98 BPD and up a quarter from 1.59 million BPD in April. The data, which shows that Russia took back the top ranking of suppliers to the world's biggest crude oil importer after a gap of 19 months, indicates that Moscowcano finds buyers for its oil despite western sanctions, though it has had to slash prices. Russian output rose in May and likely rose in June as India and China scrambles to collect the discounted Russian Urals grade. The 19 countries participating in the OPEC+ oil supply cut deal raised their crude output by 255,000 barrels per day (b/d) to 37.60 million b/d in May, according to BloombergNEF's estimates. This marks the first month that output has increased since February when Russia invaded Ukraine. However, in May, the participating countries' supply hike was less than the quota increase by 430,000 b/d, causing their under-production to swell to 2.77 million b/d against the month's output target, and their overall compliance rate to jump to 260%.

US natural gas futures tumbled below the $6/MMBtu mark, falling more than 30%, as larger-than-expected inventories weighed on investor sentiments. Prices are now roughly 40% below their June peak of $9.7/MMBtu as the closure of Freeport's export plant in Texas made more fuel available domestically. The recent explosion at one of the biggest US liquefied natural gas export terminals in Texas is keeping an additional two bcf a day of natural gas in the US market despite soaring international demand, easing pressure from domestic prices. Freeport LNG said it doesn't expect the terminal to return to entire operations until late 2022, with partial production resuming by September. Meanwhile, mild temperatures dampened cooling demand and further weighed down on prices.

Monsoon advancement taking a toll on the prices of agricultural commodities

Agro Commodities Monthly Price Performance

	June Closing	May Closing	MOM Chg	YTD Chg
Guarseed	5122	5836	*(12.23)*	*(14.05)*
Guargum	9592	11262	*(14.83)*	*(10.21)*
Jeera	21335	21120	*1.02*	*32.48*
Turmeric	7828	7918	*(1.14)*	*(17.78)*
Coriander	11440	11178	*2.34*	*28.96*
MCX Cotton	42730	49160	*(13.08)*	*22.24*
ICE Cotton	99	139	*(28.88)*	*(13.43)*
Cocud	2640	2802	*(5.78)*	*(14.91)*
Castor seed	7460	7402	*0.78*	*28.04*

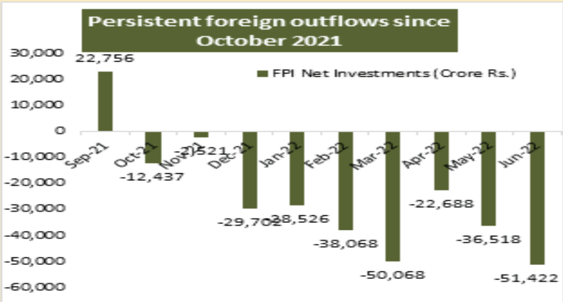
Source: Bloomberg, AR Research

The month of June saw most of the Agro commodities trading in the negative territory. After its timely onset, monsoon advancement was slow in the initial weeks which to a lag in the sowing of Kharif crops and brought in a temporary spike in the prices. However, in the second half of June, prices fell sharply with recovery in the progress, though the distribution is highly uneven. June, the first month of the four-month monsoon season has always been known for its huge swings in the prices of agricultural commodities due to the onset of monsoon in many parts of India, setting the tone for the sowing of kharif crops including Cotton, Soyabean, Guar, turmeric, and Pulses. Southwest monsoon 2022 covered the entire country on July 2nd, six days earlier than usual, but rain totals are 5 percent below average so far this season. Cotton sowing which has been lagging largely due to delay in monsoon may recover provided it remains well distributed across the major producing belts of central and southern India. Overall cotton sowing is likely to increase by 10-15%. Thus, any unfavorable news concerning the monsoon may provide temporary support to the cotton prices, but an upside in the new crop contract will be limited. International cotton prices dipped last month on a bleak demand outlook amid recessionary fears. However, there too Texas drought remains a major concern and temporary gains cannot be ignored.

Guar complex was among the leading losers last month, which saw their prices declining by almost 15-16% from the highs tested in early June. The commodity has lost most of its charm gained since the start of the season in October last year. Expectations of normal monsoon and better sowing are largely attributed to the recent losses in the guar complex. Last two years we have seen a substantial drop in acreage because of which production has fallen sharply. On the other hand, exports have improved since September last year pushing prices to a multiyear high. Thus farmers' interest has again diverted to the guar. But the demand-supply fundamentals do not show any significant change and the broader picture still shows a positive price picture. Accordingly, guar may rebound this month considering demand to reemerge at lower levels. Spice complex, particularly turmeric consolidated at lower levels after witnessing heavy selloffs so far this season. Sowing of turmeric takes place in June and July and the acreage is likely to remain at last year's level. Also, there is no fresh trigger on the demand front. Fresh demand normally starts emerging from July end- August onward and at that time one spike is confirmed. Thus we don't see any significant rally in turmeric prices in July as long as the weather turns extremely adverse.
Overall, the month of July will be crucial from a sowing perspective and thus the spatial distribution of rains needs to be closely watched for individual crops.

Currency Outlook

Indian Rupee plunged to record lows in June



Indian rupee spot witnessed the sixth consecutive monthly decline and weakened to a record low of 78.98 against the dollar index in June, amid continued sell-off in equity markets coupled with elevated crude oil prices, which might weigh down on the net importer's fiscal balance. Rising crude oil prices once again brought back concerns on the inflation front, which might prompt the central banks to be very aggressive in hiking rates and thereby inducing a recession.

Narrowing interest rate differentials between India and US amid a hawkish Fed ready to hike 75 bps in July might amplify the capital outflows, while higher crude prices lead to widening of the current account. The government's cut on fuel excise duty and subsidies on food and fertilizers (amounting to Rs.2 trillion) also weighed down on Rupee, as it might lead to further widening of fiscal balance.
India’s central bank raised its key interest rate for a second straight month to rein in prices that have been running above the central bank’s target band since the beginning of this year. Increasing the repurchase rate by 50 basis points to 4.9%, the Reserve Bank of India joined a group of institutions that have hiked borrowing costs by a half-point or more in one go this year. The Monetary Policy Committee also voted unanimously to keep its stance of continuing to withdraw stimulus to bring inflation within the target range. The committee also emphasized that it remains supportive of growth. RBI raised its inflation forecasts to 6.7% in FY23 v/s 5.7% seen previously, assuming crude oil at $105/bbl. Meanwhile, FY23 growth is retained at 7.2%. Both the benchmark indices Nifty and Sensex fell for the third consecutive month, declining almost 5% in June, amid talks of recession and economic slowdown emerging from aggressive central bank rate hikes. Equity markets have rallied in 2020 and 2021, aided by pandemic era money supply, which is going to come to an end with the onset of the rate hike cycle. Meanwhile, US equity markets have theoretically entered a bear market. FPI Net investments have witnessed an outflow of more than Rs.2.27 trillion for the year 2022. Foreign money continues to find a way out from emerging markets, owing to elevated crude oil prices and narrowing rate differentials with developed courtiers, especially US. Crude oil prices have been on a rising trend in the past few months due to a lack of upstream investments and recovery in demand as people rush to travel after two years of covid led restrictions. War in Russia and Ukraine has only made the situation worse and oil is comfortably trading above $100 per bbl. India imports more than 80% of its crude oil requirements, which is a huge burden on the domestic trade balance. India’s trade deficit widened sharply to a record high of USD 24.29 billion in May 2022, compared to USD 6.53 billion gap a year ago. Imports rose 62.8 percent on year to USD 63.22 billion amid surging prices of petroleum, crude, and other products on the back of soaring commodity prices. We might continue to see further pressure on merchandise balance if petroleum prices stay buoyed.

RBI has been tapping its forex kitty and intervening in the spot market to prevent runaway depreciation of the Rupee. India’s forex reserves have fallen by more than $50 bill50 billion dollar September 2021 and more than $40 billion drawdowns were seen in the last four months to prop up the Rupee from the fallouts of Russia- the Ukraine war. Had the RBI not intervened, Rupee would have already breached 80 levels. Meanwhile, the annual inflation rate in India edged down to 7.04 percent in May 2022 from an 8-year high of 7.79 percent in the previous month but remained above the RBI's target range of 2%-6% for the 5th straight month. Ease in domestic inflation has provided some respite. The dollar index saw another beautiful leg of the rally in June, rising more than 2.88% and closed at 104.68, not far from a 20-year high of 105.78 touched earlier in June. For the year 2022 alone, the greenback has surged more than 9.5%, aided by prospects of aggressive rate hikes by the Federal Reserve to curb the hottest inflation in decades. US inflation in June touched a 40-year high of 8.6% in May, hurting consumers and households, and prompting Fed action. Going forward, the Indian Rupee spot (CMP: 79.08) might depreciate towards 79.5/80 levels for July, owing to the widening of twin deficits. Rising crude oil prices might continue to weigh down on the net importer’s trade deficit, after rising to a record high deficit of $24.29 billion in May. Meanwhile, narrowing interest rate differentials amid hawkish central banks across the horizon with Fed ready to hike 75 bps in July might amplify the capital outflows, adding pressure on capital account. While RBI meeting is not due until August. Though RBI might intervene in the forex markets to curb the losses, it's unlikely to draw a line in the sand, as fundamentals remain weak. Even though the odds of RBI coming up with an emergency meeting to deliver another surprise rate hike are very less likely, we don’t deny the possibility of such an event.

Anand Rathi PMS

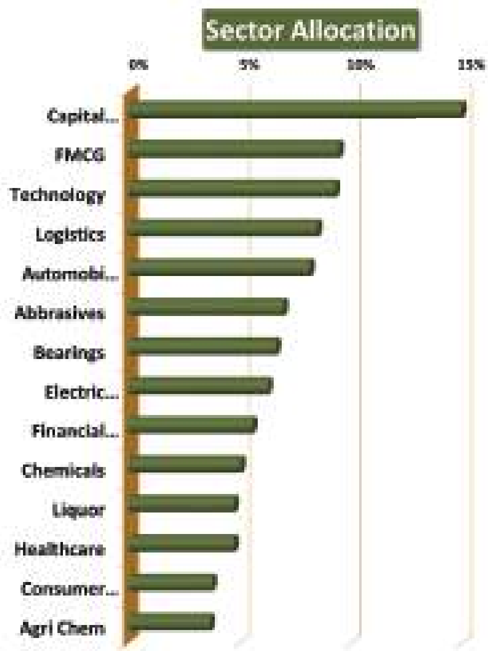
MNC Portfolio

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.

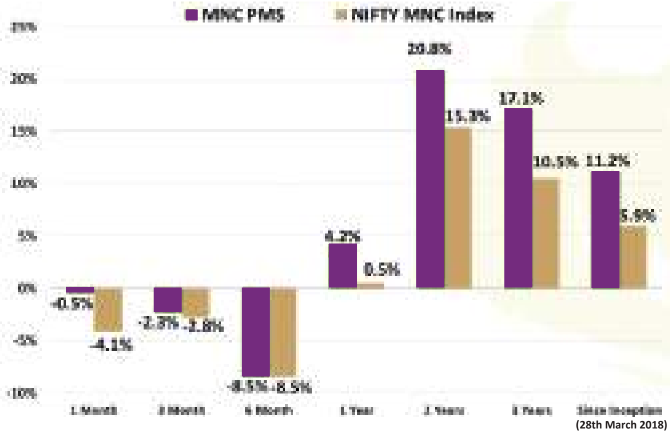
Strong Business model	MNC benefits from a) Innovation b) Strong R&D c) Advanced Technology d) Strong Brand/Product e) Economies of scale
Strong Corporate Governance	MNC's are generally rated high for their corporate governance standard. They depict high transparency and accountability with well laid 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

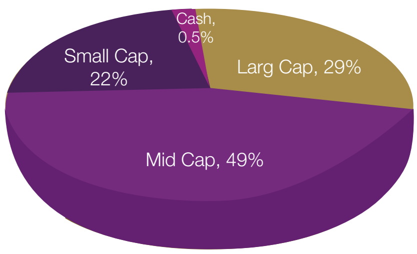
Sr. No.	Top 10 Holdings	% Holdings
1	KSB Ltd.	9.0%
2	Blue Dart Express Ltd.	8.5%
3	Maruti Suzuki India Ltd.	8.2%
4	Grindwell Norton Ltd.	7.0%
5	SKF India Ltd.	6.6%
6	Siemens Ltd.	6.3%
7	CRISIL Ltd.	5.6%
8	Coforge Ltd.	5.3%
9	BASF India Ltd.	5.1%
10	Hindustan Unilever Ltd.	5.0%



Performanceas on 30th June 2022



Market Cap Allocation



Data as on 30th June 2022

Source: *Anand Rathi Internal Research.*

Note: *Returns above one year are annualized. Returns are net of fees and expenses.*

Disclaimer: *Past Performance is not necessarily indicative of likely future performance. Performance mentioned above are not verified by SEBI. We have shown the performance as Aggregate performance of all clients on TWRR basis.*

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 & 56th Month.	
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	110.00%	100.00%	15.50%	14.40%
35400	**100.00%**	**100.00%**	**14.40%**	**14.40%**
26550	50.00%	100.00%	8.20%	14.40%
23541	**33.00%**	**100.00%**	**5.70%**	**14.40%**
23364	32.00%	74.00%	5.60%	11.40%
23187	31.00%	48.00%	5.40%	7.90%
23010	**30.00%**	**22.00%**	**5.20%**	**3.90%**
21240	20.00%	12.00%	3.60%	2.20%
19116	**8.00%**	**0.00%**	**1.50%**	**0.00%**
17700	**0.00%**	**0.00%**	**0.00%**	**0.00%**
17465	-1.30%	0.00%	-0.30%	0.00%
15930	-10.00%	0.00%	-2.00%	0.00%
15045	**-15.00%**	**0.00%**	**-3.10%**	**0.00%**
15043	-15.01%	-16.51%	-3.12%	-3.45%
14160	-20.00%	-22.00%	-4.30%	-4.70%
13275	-25.00%	-27.50%	-5.40%	-6.10%
12390	**-30.00%**	**-33.00%**	**-6.70%**	**-7.50%**
11505	-35.00%	-33.50%	-8.00%	-7.60%

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

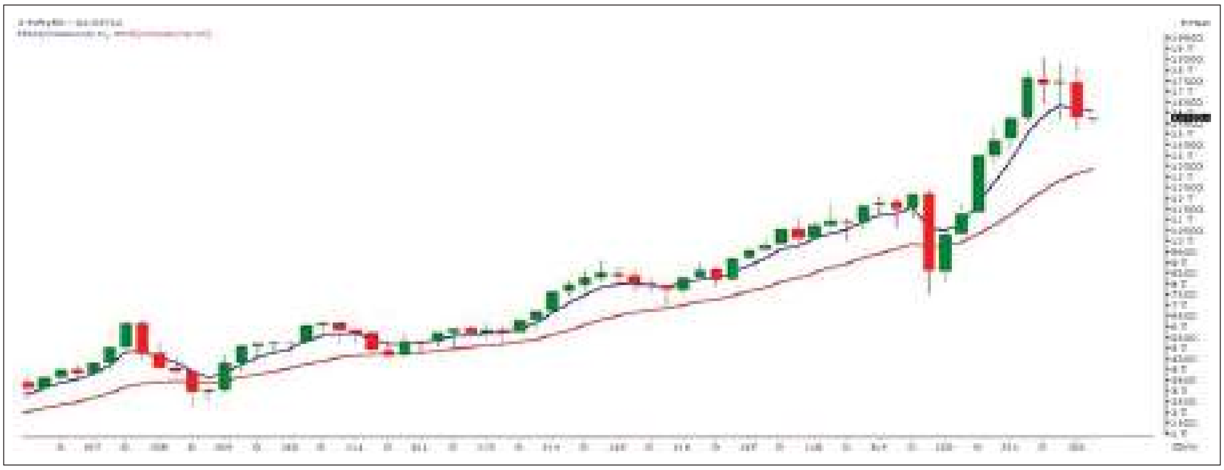
NIFTY: JULY 2022

LEVELS TO WATCH OUT FOR: 16200 – 16800 / 15500 – 15150 - 14500

The judgmental June 2022 proved to be a Tug of War between the bulls and the bears where the battle was eventually won by the bear. The index NIFTY not only breached the psychological support of 16000 but also breached the previous swing low of 15671. As a result; it sneaked below the 15200 mark during the first half of the month. However; during the second half bulls tried their best to retaliate and pulled the index back to the 15900 mark. However; at the end of the month index settled near 15800 with a cut of around 5%. The closing of 30th June 2022 was an important one since it was a monthly as well as quarterly close. The index NIFTY has lost around 10% in the quarter went by and this has been the worst quarter since the year 2011 (Except for the fall of 2020).

Technically the quarterly close indicates weakness in the coming quarter too. The reason behind this opinion is that the index NIFTY hclosedose the quarter be the ow 16200 mark which is the placement of the short-term moving average on the quarterly time frame. For two decades we have observed that whenever the index has closed below the short-term moving average it retests the medium-term moving average (quarterly time frame) in coming quarters. In the present scenario, the medium-term moving average is placed near the 14000 mark. Thus there is a possibility of higher volatility in the coming months. On the other hand; for the short term the FIIs again are heavily short in index futures as per their long to-short ratio. This ratio suggests a bounce in short term. In such a case; 16200 could be a strong hurdle for the markets since that is the gap area in the daily time frame. Above that; there are other hurdles levels likeas00 – 16800. Thus; for the coming month we do not expect a one-sided move in the market and we continue to remain cautious. We would advise traders to keep booking short-term profits at higher levels. That is the reason why we booked last month's Bazaar Bulletin picks of STAR and M&M with a gain of over 10%. The view of NIFTY testing medium-term moving average on quarterly time frame would get confirmed once we break the low of 15183.

Similar to the NIFTY index; even the NIFTY BANK index lost over 8% during the quarter and it has closed below the short-term moving average on the quarterly time frame. Thus we have a similar view for banking stocks too. On the front of the level; 32000 continues to remain a make or break level for the index. A breach of the same might drag the index towards the 30000 level in the coming months which is the placement of its medium-term moving average (quarterly time frame). On the upside; 34500 would be an initial strong hurdle while above that 36000 might be a tough nut to crack.



Technical Pick - LUPIN

POTENTIAL UPSIDE 14.75% - 19.67%

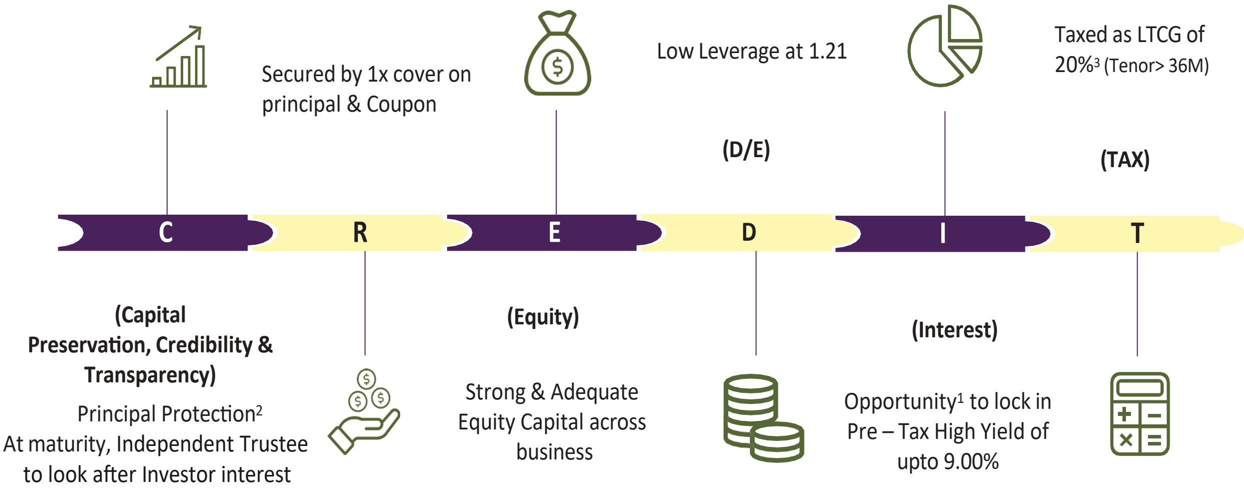
- In the past 1 year; **LUPIN** has corrected more than 50% from the peak of 1260 without any meaningful bounce.

- The value of weekly ADX (14) has reached above 45 mark and that indicates exhaustion of down trend.

- The given larger degree chart of LUPIN indicates that there is a formation of bullish SHARK harmonic pattern.

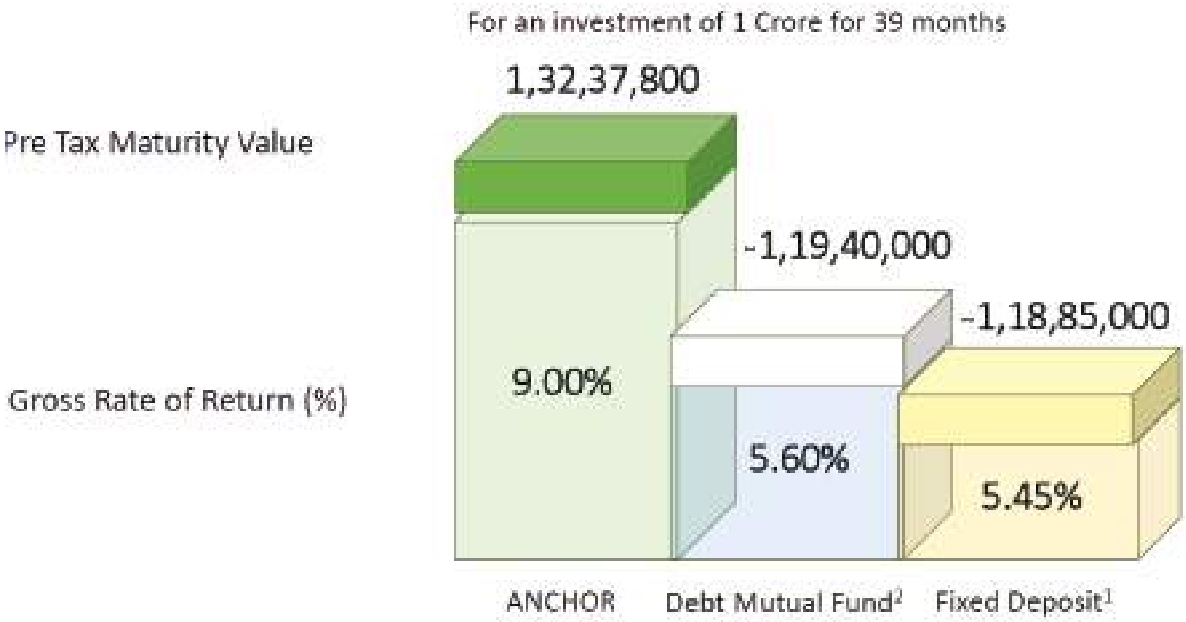
- The harmonic pattern along with weekly ADX indicates that there is a possibility of relief rally in the counter. Thus; traders are advised to accumulate the stock **in the range of 630- 590** with a stop loss of 550 on closing basis for the upside potential target of 700 followed by 730 levels in coming 3 - 6 months.

ANCHOR (Market Linked Debentures)



1. Realized return on investment may differ depending on the investment timing, due to the difference in purchase value and face value of the security on the date of investment & Return is subject to the credit Risk of the Issuer.
2. Principal protection is at maturity; to the extent of the Face Value of the underlying investment in Market Linked Debenture (MLD) and subject to the credit risk of the Issuer
3. Taxation is pre surcharge and cess and as per our understanding, Investors are requested to solicit personal & professional tax advice on these instruments before investing.

What is ANCHOR?



1. 3 year Fixed Deposit rate effective 15th Feb, 2022, per SBI website https://sbi.co.in/web/interest-rates/deposit-rates/retail-domestic-term-deposits
2. Average Gross Yield to Maturity for Corporate Bond Fund Category as on 31st March, 2022

Product Specification

Product Name	ANCHOR
Entity	Anand Rathi Shares & Stock Brokers
Underlying	10 Year G-Sec (6.54 GS 2032)
Listing/Secured	Unlisted/Yes, with a minimum 1x charge against receivables
Face Value/Min Application	1,00,000 per bond/ Minimum 25 bonds
Type	Conservative G-Sec Linked
Principal Protected	Principal is protected at maturity
Option Tenor	36 Months
Redemption Tenor	39 Months
Entry Level	Primary Trade Date
Exit Level	36th Month from the date of issue
Min Coupon	0 % (0 % IRR)
Max Coupon	32.38 % ~(9% IRR)
Taxation	20% + Cess after 3 years
Coupon Scenario	If Final Level > 25% of Initial Level = Max Coupon,
	If Final Level <= 25% of Initial Level = Face Value Per Debenture

The information provided is this communication is reproduction of factual details. No part of information provided herein should be construed as investment advice by ARSSBL and/or its employee. Investor/Client must make their own investment decisions based on their own specific investment objectives and financial position.
This communication does not constitute an offer or solicitation for the purchase or sale of any financial instrument/security.

Product Payoff - ANCHOR (Illustration)*

G-Sec Entry Price	G-Sec Performance	ANCHOR Return	Redemption Value	ANCHOR IRR
110	10%	32.38%	1,32,37,800	9%
105	5%	32.38%	1,32.37,800	9%
100	0%	32.38%	1,32,37,800	9%
50	-50%	32.38%	1,32,37,800	9%
25.1	-74.90%	32.38%	1,32,37,800	9%
10	-90%	0.00%	1,00,00,000	0%
0	-100%	0.00%	1,00,00,000	0%

The information provided is this communication is reproduction of factual details. No part of information provided herein should be construed as investment advice by ARSSBL and/or its employee. Investor/Client must make their own investment decisions based on their own specific investment objectives and financial position. Thiscommunication does not constitute an offer or solicitation for the purchase or sale of any financial instrument/security.
*Returns/IRR showcased are for illustrative purposes only. The returns are pre-tax. G-Sec Entry Price in the entry level of the 10 year G-Sec on Primary Trade Date.

INVESTMENT MANAGERS

ASK Investment Managers Limited

Key Investment Objectives

- **Capital Preservation*** over a period of time
- **Capital Appreciation** over a period of time

Achieved through...

- Long term investments in high quality companies with strong growth prospects

- Size of pond v/s size of fish
- Dominance
- Resilience
- Liquidity

- High quality of business (Superior RoCE)
- Strong moat. Impregnability
- Sustainability
- Key pivot of strong wealth creation

- Quantum
- Consistency
- Durability
- Predating (Early v/s Later)
- Compounding power

- Favorable Price-Value Gap
- Margin of Safety

ASK IM endeavors to preserve the capital however equity investments are subject to market risks.

Consistently Beating Benchmarks Since Inception

Point to Point Returns

	1 month	3 months	6 months	1 year	3 years	5 years	7 years	10 years	Since Inception
ASK IEP	-9.1%	-5.1%	-9.9%	5.8%	15.0%	13.6%	12.8%	20.3%	18.0%
BSE 500	-4.5%	-1.1%	-3.3%	6.9%	13.2%	11.2%	10.7%	13.6%	10.3%
Nifty	-3.0%	-1.2%	-2.3%	6.4%	11.6%	11.5%	10.1%	12.9%	10.2%

Financial Year-wise Returns – ASK IEP has outperformed BSE 500 in 10 out of 12 Financial Years

	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY20	FY21	FY22	FY23 YTD
ASK IEP	21.7%	2.8%	12.8%	34.5%	73.0%	-4.5%	24.9%	14.5%	10.8%	-17.8%	68.6%	20.9%	-7.2%
BSE 500	7.5%	-9.1%	4.8%	17.1%	33.2%	-7.8%	24.0%	11.8%	8.3%	-27.5%	76.6%	20.9%	-5.1%
Nifty	11.1%	-9.2%	7.3%	18.0%	26.7%	-8.9%	18.5%	10.2%	14.9%	-26.0%	70.9%	18.9%	-5.0%

Calendar Year-wise Returns - ASK IEP has outperformed BSE 500 in 11 out of 12 Calendar Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	YTD 2022
ASK IEP	29.0%	-13.2%	29.8%	22.0%	69.6%	7.6%	6.2%	37.2%	1.8%	12.4%	20.5%	33.7%	-10.7%
BSE 500	19.2%	-27.4%	31.2%	3.3%	37.0%	-0.8%	3.8%	35.9%	-3.1%	7.8%	16.8%	30.1%	-5.5%
Nifty	22.5%	-24.6%	27.7%	6.8%	31.4%	-4.1%	3.0%	28.6%	3.2%	12.0%	14.9%	24.1%	-4.4%

Note : Performance figures are net of all fees and expenses. ASK Portfolio returns are composite returns of all the Portfolios aligned to the investment approach as on May 31, 2022. Returns for individual client may differ depending on time of entry in the Portfolio. Past performance may or may not be sustained in future and should not be used as basis for comparison with other investments. Returns for 1 year or lesser time horizon are absolute returns, while more than 1 year are CAGR. Returns have been calculated using Time Weighted

ASK
INVESTMENT MANAGERS

ASK Indian Entrepreneur Portfolio: The Investment Approach

1. Identify **large** and **growing** business opportunities.
2. Identify businesses with competitive advantage that are **significant sized** (min Rs.100cr of PBT) : Enables growth from both **market share gains** and **growth of the opportunity size** and can sustain for multiple years.
3. The **quality of the business** should be good to be able to fund strong growth through internal cash generation
   - We seek over 20% compounded growth from each business that we buy and target over 25% growth from the portfolio
   - To fund this growth, the business ROCE should be over 25% so that growth can be funded and there are surpluses for dividend
4. The **management should have the drive** and have skin in the game to deliver **compounded growth** period after period (uncompromised corporate governance is a must)
   - Hence, invest into businesses with an identifiable business house at helm with minimum 25% stake*
5. We seek to identify such businesses **at reasonable discount to value** and stay invested for a length of time and make money as EPS compounds

*Note: Promoter / Family stake of at least 25% is desired in portfolio companies, except in rare and fit cases.

Investment Approach Research Methodology and Filtration

500	• Top 500 as per market capitalization
306	• Only companies > 25% promoter / family holding (except in very rare and fit cases) • Universe of Entrepreneur and/or Family-Owned Business = 306 cos
210	• Condition of minimum PBT of INR 100 cr (USD 14 mn)
123	• Subjective evaluation on management quality, their integrity, vision, past track record, execution, capital allocations and distribution skills, corporate governance standards etc.
59	• Quality of Business (Capital Efficiency) – Minimum ROCE of 25%*
20 - 25	• Two more filters for selection of stocks a) Minimum 20 to 25%* earnings growth over the next 3 to 5 years without capital dilution and b) Price-Value gap (margin of safety) of 20% • ASK Indian Entrepreneur Portfolio

Note: Maximum of 20% of the portfolio may be an exception to the above.
*at the time of 1st purchase of the stock

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

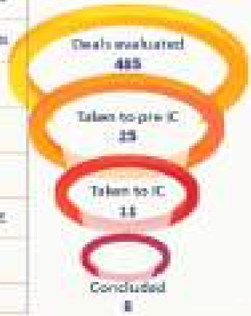
RFCL	GO COLORS!	KIMS HOSPITALS	STAR	WABAG
Exit Strategy : Sum of parts sale	*Exit Strategy: IPO*	*Exit Strategy : Sale to PE*	*Exit Strategy: Sale to Strategic,PE*	*Exit Strategy : IPO*
Investment : Dec-2005	Investment : Jan-2018	Investment : Jun-2018	Investment : Mar-2010 (IAF3) / Aug -2016 (IAF4)	Investment : 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 : 3.8x	Gross INR MOIC :6.2x/3x	Gross INR MOIC : 29.8x
Gross INR IRR: 61.9%[3]	Gross INR IRR: 59%	Gross INR IRR: 28.6%	Gross INR IRR: 25% / 55%	Gross INR IRR: 138%

IAF4 Portfolio Overview

Backing leaders and emerging leaders in fast growing sectors in India

IAF4 Portfolio	Entry Year	Investment[1] (INR Mn)	Sector	Strategy	Stake	Exit/ Liquidity	Gross INR MOIC[2]	Exit Strategy
STAR	2016	1,000	BFSI	Growth PE	4.15%	Exited	3.03x	Sale to strategic/PE
GO COLORS!	2018	1,000	Consumer	Growth PE	13.70%[3]	Partially Exited	6x-8x	IPO, Capital markets
India1	2019	1,000	BFSI	Joint Control	21.40%[4]	2022-23	2.5x-3x	IPO / strategic
[illegible]	2016	1,650	Mfg	Growth PE	26.22%[5]	2022-23	2.5x-3x	Sale to PE / IPO
KIMS	2021	1,600	Healthcare	Growth PE	2.42%	Listed	2.5x-3x	Capital markets
[illegible]	2017	1,250	Consumer	Joint Control	40.99%	2024-25	5.5x-6x	Sale to strategic/PE
DCB BANK	2018	2,358	BFSI	Growth PIPE	4.36%	Listed	2x	Capital markets
[illegible]	2021	1,600	Mfg	Growth PE	15.0%-24.2%	2024-25	2.5x-3x	IPO

IAF4 deal log



Proposed key fund terms (India Advantage Fund S5 II)

Key fund terms*

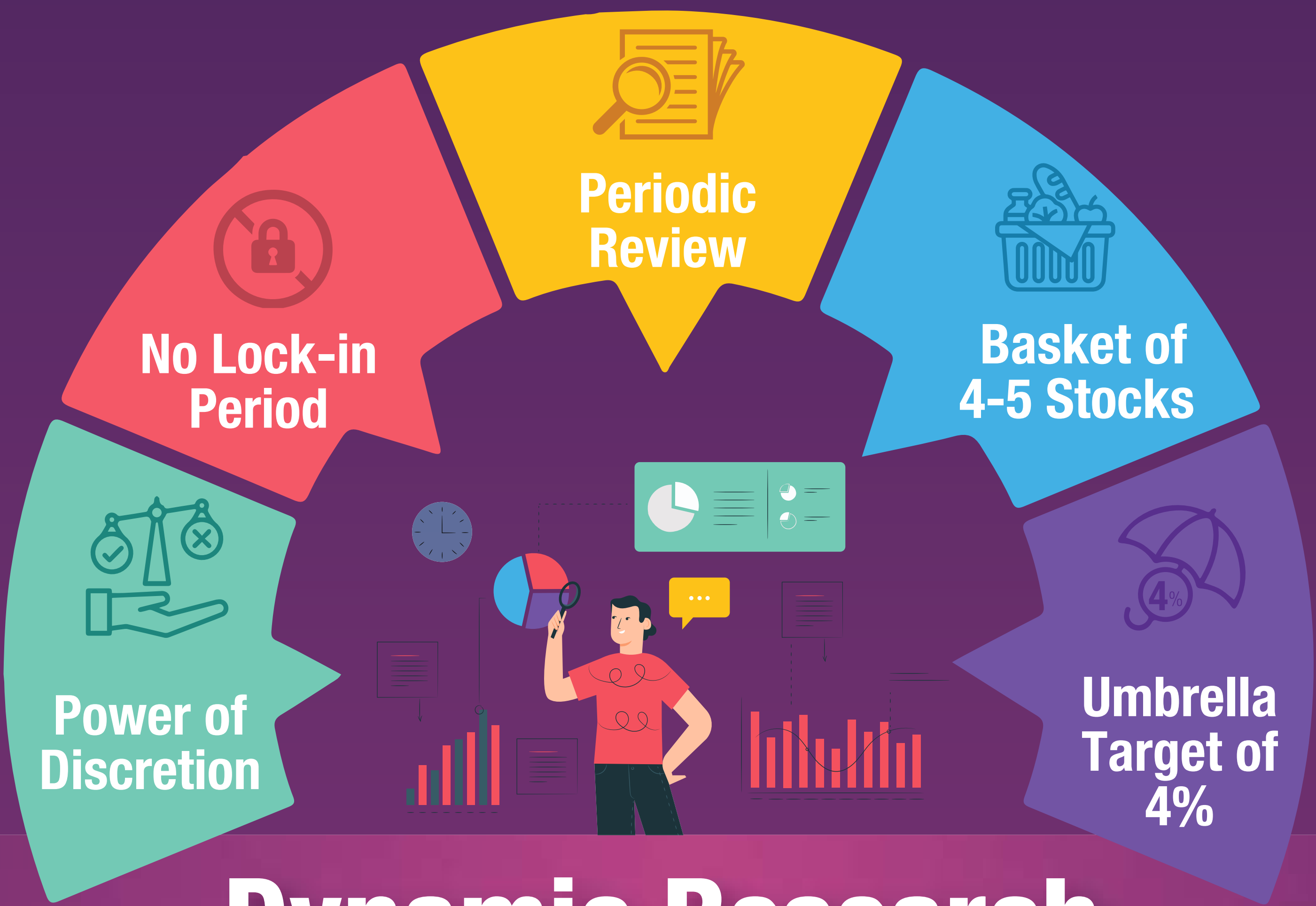
Indian Fund (Feeder Fund)	Organized as a close-ended, contributory, determinate trust, under registration with SEBI as a Category II AIF (Fund of Funds). ICICI Venture is Settlor, AIF Sponsor, Manager of the Feeder Fund. Will invest solely in India Advantage Fund S5 I which is organized as a close-ended, 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 on 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

FINKART

Quality Investing - Simplified!

ANANDRATHI PRIVATE CLIENT GROUP EQUITY PCG

Finkart offers benchmark-relative strategies across the market-cap spectrum of India. We believe the stock market is tremendously efficient to provide opportunities for the disciplined investor.



Dynamic Research Basket Stock Allocation

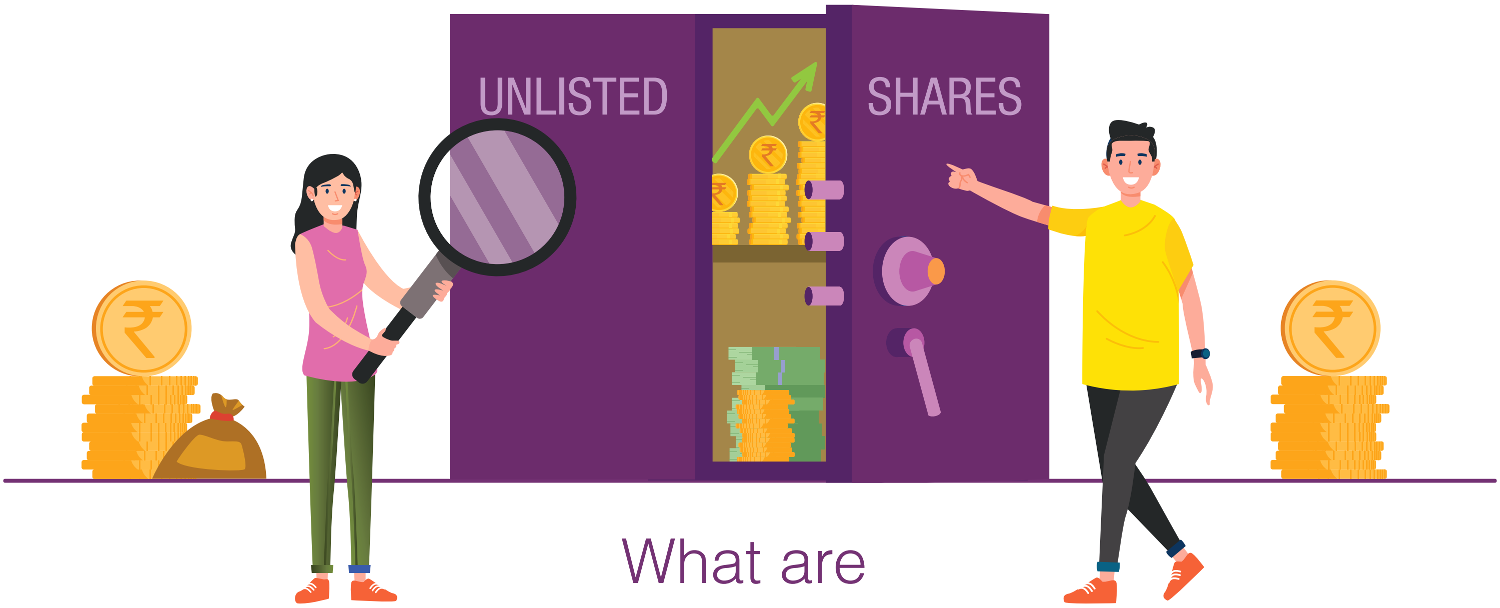
ANANDRATHI
PRIVATE CLIENT GROUP
EQUITY

Explore the
Hidden Treasure of **Unlisted Shares***

With

EQUITY UNICORN

Investment in Unlisted Shares*



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.

FINANCIAL

FLASH

July 2022

ANAND RATHI

INVESTMENT SERVICES

Anand Rathi Share and Stock Brokers Ltd.,

Regd. Office: Express Zone, 10th Floor, A Wing, Western Express Highway, Goregaon (E), Mumbai - 400 063, Maharashtra. Tel: (022) 6281 7000.