AnandRathi
Private Client Group
Equity
PCG

FINANCIAL FLASH

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INDEX

PCG Communique

From the Desk of the PCG Head

Rajesh Kumar Jain

The Sunset of 2022 and the Rising of 2023!!!

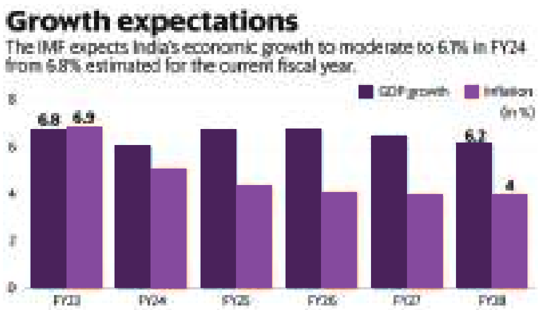
Although 2022 hasn't been the best of the years for the World. We started the year with the Russia-Ukraine War which has created a panic in the world across, continued with ever seen inflation in past decades and then aggressive rate hike by the central bank across the globe. Equity markets are adverse to these uncertainties and has reacted negatively, wherein most of the world market has given a negative return. Nasdaq (-33.51%), S&P 500 (-19.44%), Dow (-8.78%), Hang Seng (-14.41%), Taiwan (-22.40%), Kospi (-25.28%), Nikkei (-9.37%), Shanghai (-14.64%), Dax (-12.35%) to name a few.

India an Outlier

India on the other hand has been an outlier with a resilient economy and emerged as one of the best performers in the EM pack. India has given a positive return of 5% but the INR depreciated Vs the USD by 9%-10% (approx.), hence in USD terms we have been negative by 4%-4.5%. For the calendar year 2022, FIIs has been the net seller to an extent of 2.78 lakhs CR, whereas DII's were net buy buyer to an extent of 2.75 lakhs CR. FII ownership of Indian equities has been at multi-year lows of 18%—as of Oct 2022, based on a bottom-up analysis—versus 23% in September 2019.

The sizeable inflow of domestic money through lump-sum and the SIP route, with equity allocation by employee provident funds, which has gone up from 5% in FY16 to 15% in FY22, and is further expected to go up to 20% in FY23 and FY24, kept markets buoyant and acted as a counterforce to the outflows from Foreign Institutional Investors. India's economy has rebounded fairly robustly following the contraction during the pandemic year... has been driven largely by robust domestic demand, surprisingly the developed economies were unprepared for high inflation, energy crisis and climate change. Living on energy exports has hurt global economy. But India has shown resilience in the face of a global energy crisis with a combination of policy measures, facilitative infrastructure and focus on green energy. On the global stage, India's perception has changed into an economy to look forward to in the coming years. It appears that the dominance of DIIs (Domestic Institutional Investors) and retails investors is likely to continue in the 2023 with FII inflow gaining momentum in 2023.

India today, is the fifth-largest economy in the world and has entered the world's top five in terms of overall market capitalisation fourth largest in terms of World GDP. If we look at, the top 4 countries as per GDP above India, which is US, China, Japan & Germany and the 3 countries below India in terms of GDP, which is UK, France & Canada, none of the countries are going to grow @ 6% which is projected for India for 2023 by most of the world premier institution & economist. The GDP of US, China, Japan & Germany will grow anywhere between 0.3% - 3% and the GDP of UK, France & Canada will grow anywhere between 0.3%-2% for 2023. India will grow anywhere between 6% for multi years going forward and which will make India the 3rd largest economy in the next 5-7 years. We firmly believe with the Indian economy attaining $5-Trillion by 2025.



What Lies in 2023

The year 2023 has its own challenges. The risk, the world will be looking in 2023 will be :

- Interest Rates and Central Banks decisions going forward
- Fear of Covid Resurgence in China and impact to the rest of the world
- US & Europe going through Recession

I firmly believe the world will bear the brunt of the above three crisis and equity mkt performance will be quite subdued in 2023 world over. The IMF in their Oct release of the World Outlook forecasted that the global outlook will be 2.7% in 2023. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic.

With global GDP growth slowing to 2.7% in 2023 from 3.2% in 2022, the Indian economy cannot remain immune. Global trade growth is projected to fall to 1% in 2023 from 3.5% in 2022. With exports contributing 20% to GDP, India will definitely feel the pain of this slowdown. India's share in global merchandise trade in the last decade has increased by a tiny 0.2 percentage point to 1.8% (China's share went up by 3.5 percentage points). New trade agreements are expected to help India gain greater share. India's merchandise exports have fallen by 16% in the three months to November compared to the previous three months. Sectors with high export-intensity like engineering goods, gems and jewellery, textiles and pharmaceuticals will specifically feel the pinch of a global slowdown. Given that many export-intensive sectors are also labour-intensive, this will have adverse implications for employment too. With exports slowing and the trade deficit widening, we will face challenges in financing the current account deficit, given the global rise in interest rates.

US which accounts for 20% of the world GDP and complete Europe which accounts 23% of the world GDP will go into a recession, which is quite obvious and China Covid resurgence will create a huge impact to the global market, exports, oil, commodity prices, demand & supply mismatch & foreign reserve for most of low GDP countries, along with Dollar uprise. As per economist China GDP forecast will be <3% in 2023. So world market will be in gloom & doom in the 1st half of the calendar year. Central banks will continue with its rate hikes for a quarter or so of 2023 and most probably will take a cautious approach going forward with the rate hike, looking at the world de-growing and US & Europe, which accounts for 43% of the world GDP will be slipping for a recession. Only in 2024 we may look at a possible rate cuts by the central banks to boost economy for search of growth.

From an Equity market perspective, I firmly believe Indian market will be choppy for the 1st half of 2023. We expect the mkt to consolidate before a next leg of run. FY23 we might end a Nifty EPS of 820 and for FY24 which are estimating the Nifty EPS @ 940. Currently mkts are trading @ PE of 21. Assuming that mkt is going to trade at the same multiple, we believe mkts will be looking a level of 19800-20000 for 2023. We are affirming market to deliver one year return in high single digit or low double digit.

India's greatest strength lies in its domestic consumption, supported by a young and large working population with higher disposable income and business confidence. The per capita income which is currently @ $2357-$2400 will go to anywhere between $4000-$5000 with the economy reaching to $5-Trillion. And a lot of retail money will flow in discretionary consumption & capital markets.

A host of indicators of urban and rural consumption suggest robust economic activity. On the other hand, urban consumption might be negatively impacted by waning job growth momentum in the IT sector due to the global recession, a high base from reopening-led spending growth in 2022, I believe lot of covid savings is getting exhausted with the urban population. Good Rabi harvest and cooling inflation off will give boost to rural consumption. Bank credit growth accelerated to 17.5 percent in Dec, and was broad based across customer segments. Investors should look out for themes such as rural recovery, private capex, sustainability of credit growth, global slowdown impacts, rates, and inflation in 2023. Improving capacity utilization, a favourable policy environment—PLI schemes, ongoing China+1 strategy and a strong corporate balance sheet and cash flows would direct the economy & mkt going forward.

Going forward, we feel mkt to remain choppy, hence buying the dips and rotating within sectors would be the strategy going forward. Sectors to look at for 2023 would be FMCG, Cement, Defence, Discretionary spending, Auto & Banks.

Wish All Investor a Very Happy New Year and Happy investing in 2023!!

Market Commentary

The Nifty index ended the December month on a slighter weaker note as it closed at '18,105' as compared to November end '18812', a decline of 3.8%. Similarly, Sensex ended the December month at 60,840 with a negative return of 3.9%.

Markets extended gains with a private report stating that India is well positioned to continue to be the fastest-growing major economy next year. The finance ministry said that India's external debt stood at $610.5 billion in the second quarter of 2022-23, down by $2.3 billion from end-June 2022. The external debt to GDP ratio stood at 19.2 per cent as at end-September 2022 as compared to 19.3 per cent at end-June.

In terms of economic performances, The S&P Global India Manufacturing PMI increased to 57.8 in December 2022 from 55.7 in the prior month, exceeding market estimates of 55.0 and staying above its long-run average of 53.7. Demand resilience boosted sales growth in December, with the rate of increase picking up to the quickest since February 2021. In some instances, panelists indicated that advertising, product diversification and favorable economic conditions supported sales. International demand for Indian goods also improved, but did so to a lesser extent than in November. Overall, new orders from abroad rose at the slowest pace in five months as several companies reportedly struggled to secure new work from key export markets. With overall demand remaining conducive of growth, manufacturers scaled up production at the end of 2022. The upturn in output was sharp and the best seen since November 2021.

The IHS Markit India Services PMI came in at 55.1 in October rising from September's six-month low of 54.3 as favourable demand for services continued to underpin increases in new business and output at the start of the third fiscal quarter. Moreover, rates of expansion quickened from September's six-month lows. Buoyed by the ongoing recovery in new work, service providers again took on extra staff, with an improvement in business confidence also supporting hiring activity. The latest results also showed mild accelerations in inflation rates for input costs and output charges. Services Business Activity Index pointed to a quicker and marked rate of growth. The headline figure was above the neutral 50.0 threshold for the fifteenth month running and outpaced its long-run average. According to survey participants, sustained increases in new business boosted output. October data showed an expansion in new work placed with Indian service providers, continuing the trend seen since August 2021. Moreover, the pace of growth was marked and accelerated from September.

India's retail inflation, which is measured by the Consumer Price Index (CPI), eased to a three-month low of 5.88 per cent in the month of November from 6.77 percent in the previous months on a favorable base effect which was broadly in-line with expectations. After spending 10 consecutive months above the 6 percent upper bound of the RBI's 2-6 percent tolerance band, it is now within the range of tolerance band. Cost increased at a softer rate for food (4.67% vs 7.01%), pushed down by an 8% fall in prices for vegetables; and for clothing and footwear (9.83% vs 10.1%). Meanwhile, the housing inflation was little-changed (4.57% vs 4.58%). On the other hand, prices rose faster for fuel and light (10.62% vs 9.93%), pan, tobacco, and intoxicants (2.02% vs 1.87%), and miscellaneous (6.07% vs 5.9%). The inflation fell below the upper end of the central bank target of 2-6% for the first time this year but the RBI sees it at 6.7% for the 2022/23 financial year.

The country's merchandise exports grew at a modest rate in November 2022 after a sharp fall in October. India's merchandise exports in November grew to $31.99 billion as compared to $31.80 billion in the year-ago period. India's merchandise exports shrunk 16.7% year-on-year to $29.8 billion in October 2022. The country's merchandise imports surged 5.3% to $55.88 billion as compared to $53.03 billion a year before. The merchandise trade deficit for the April-November 2022 stood at $198.35 billion against $115.39 billion in the same period last year. In November 2022, the export trade deficit was $23.89 billion as compared to $21.23 billion in the same period last year.

The Goods and Services Tax (GST) collections for the month of December 2022 stood at ¯1,49,507 crore which is 15% higher than the

GST revenue in the same month last year, which itself was ¯1,29,780 crore. This is the ninth straight month when collections from GST has remained above ¯1.40 lakh crore. In December, revenue from import of goods was 8% higher and the revenue from domestic transactions (including import of services) 18% higher than in the corresponding period a year ago.

India’s foreign exchange reserves have again shown negative signs as it decreased by US$0.69 billion to $562.81 billion in the week through December 25. Foreign currency assets decreased by $1.13 billion to $498.49 billion for the week ending December 23.

The U.S. markets ended mostly higher during the passing week despite ongoing concerns about the economic outlook and the possibility of higher interest rates leading to a recession. Meanwhile, the spreading of COVID-19 infections in China and other countries is again growing as a concern for investors. On the economic data front, first-time claims for U.S. unemployment benefits rose by slightly more than expected in the week ended December 24th, according to a report released by the Labor Department. The report said initial jobless claims crept up to 225,000, an increase of 9,000 from the previous week's unrevised level of 216,000. Street had expected jobless claims to inch up to 222,000.

European markets ended passing week on a higher note. Markets started the week in green as trading resumed after a long Christmas holiday weekend. But, trade was lackluster during mid of the week, as risks related to a new surge in COVID-19 cases returned to investors' radars. Further, Sweden's foreign trade deficit rose notably in November, as imports grew faster than exports. Markets gained traction towards the end of the week, after Switzerland's economic outlook is set to improve somewhat at the beginning of 2023. The results of a key survey by KOF Swiss Economic Institute showed that the economic barometer rose to a three-month high of 92.2 points in December from 89.5 in September, which was revised from 89.2. On the inflation front, Spain's consumer price inflation eased for the fifth successive month in December to the lowest level in just over a year amid a reduction in the price growth of electricity and fuel. The preliminary figures from the statistical office INE revealed that consumer prices climbed 5.8 percent year-over-year in December, slower than the 6.8 percent rise in November. Moreover, this was the slowest inflation rate since November last year, when prices had risen 5.5 percent.

The S&P Global US Manufacturing PMI fell to 46.2 in December of 2022 from 47.7 in November, well below forecasts of 47.7, preliminary estimates showed. The reading pointed to the biggest contraction in factory activity since May of 2020, driven by subdued demand and a faster fall in output. New orders declined at one of the sharpest paces since the 2008-09 financial crisis and sufficient stocks of inputs and a further reduction in new orders led to the sharpest contraction in purchasing activity in over two-and-a-half years. Also, the level of work-in-hand fell at one of the sharpest rates since 2009, as sales contracted and delayed material deliveries arrived. Lower levels of incomplete work and muted demand led to broadly unchanged employment. On the price front, an improvement in supplier delivery times, muted demand for inputs and lower prices for fuel and metals led to the slowest rise in cost burdens since July 2020. Finally, business confidence was the highest in three months.

The S&P Global US Manufacturing PMI came posted below the 50.0 no change mark in December 2022 for a sixth successive month indicating a deterioration in business conditions facing goods producers across the euro area. However at 47.8, this was up from 47.1 in November and its highest reading for three months, signaling a softer downturn. Eurozone manufacturing output fell in December, marking a seventh successive month of contraction. That said, the decrease was only moderate and the weakest since June. The drop in production coincided with a further slump in new order inflows as demand for euro zone goods remained generally subdued. In line with the trend in output, the decline in factory sales weakened since November and was the softest in four months. A slower fall in new export business1 also helped to alleviate the downturn in overall order books. In the absence of new business growth, euro zone manufacturers turned attention to their incomplete workloads. The latest survey data pointed to a sharp monthly fall in backlogs in December.

The au Jibun Bank Japan Services PMI increased to 51.7 in December 2022 from a final 50.3 in the prior month, which was the lowest figure in three months, a preliminary reading showed. This was also the fourth straight month of growth in services activity. The boost in tourism volumes, largely supported by the National Travel Discount Programme, has reportedly encouraged recent service sector growth. Panel members also mentioned that a sustained COVID recovery has improved consumer confidence. Both foreign orders and employment grew at stronger rates while new orders remained in expansion territory. Also, backlogs of work accumulated at a softer pace. In terms of prices, inflation across a broad range of inputs led to an accelerated rise in input costs. In response to increasing cost burdens, service providers raised their selling prices at the fourth fastest pace in the series of history. Finally, sentiment stayed upbeat.

Going Ahead

The last three years have been one of the most difficult years in our collective lives due to Covid globally. The last year started with a series of unfavourable developments including sharp rise in inflation, rapid tightening of monetary policy and the first major war in Europe after the Second World War. The aggressive policy tightening last year, it is being feared by many, would take the global economy into a recession this year. In addition, recently there has been relapse of the pandemic in China and there are apprehensions that the same might spread again like in 2020 across other countries. We just entered into a new year with lot of trepidation and apprehensions.

There are uncertainties as to how things are going to pan out over the next 12 months. Signs of softening of inflation and less aggressive monetary policy tightening are already visible in many countries including India and the US. Also, the recent upward revision of India's growth rate for 2022 by the IMF seems to suggest that the growth pessimism is overdone. I expect that in 2023 global inflation would soften faster than expected, monetary policy tightening to be less than projected and the global economy to grow faster than what is being currently anticipated.

Despite these, 2023 is unlikely to be an easy year either for the global economy or the financial markets. There are signs that many of the major economies are trying to create near self-sufficiency of domestic supply chain. While this creates some level of supply assurance, by inhibiting specialization and economies of scale, the process would result in production inefficiencies and thereby higher costs. At the same time, increase protectionism can reduce the potential growth for the global economy. The rising geopolitical tensions and the start of the new Cold War era also can negatively impact the global economy and markets.

India has made tremendous all-round progress in the last 20 years and currently is being seen as one of the brightest pots of the global economy. On a consistent basis, the Indian economy and Indian equity market have performed better than most other countries. Along with economic progress, India has improved global standing in other areas as well. With well-articulated neutrality on the ongoing war in Europe, India is sometimes playing the role of an arbitrator between the two sparring fractions.

Despite being relatively better off, the Indian economy is also facing challenges. Industry in particular, is not doing too well and in the recent past there are some signs that investment activities are decelerating. Weak rural demand continues to be a concern. In a slowing world, India's export growth has already turned negative while with a stronger domestic demand, the deceleration in imports has been far slower resulting in large increase in trade deficit. With significant difference between bank deposit and credit growth, the sustainability of current strong credit growth remains questionable. Slowing down of demand and lagged effect of input cost pressures are impacting both corporate sales and profitability.

With strong domestic flows towards the equity market and revival of foreign institutional investment, Indian equities rallied during the month of November and parts of December 2022. The turnaround in global sentiments, however, reversed the process during the latter half of December 2022. With foreign investors holding more than 50% of the free float market capitalization of the Indian equity market, subdued global investor sentiments would also adversely impact the Indian market. At the same time due to better fundamentals and also strong domestic flows towards equities, the vulnerability of Indian equities seems to be lower than the same in most of the countries.

Fixed Income Services

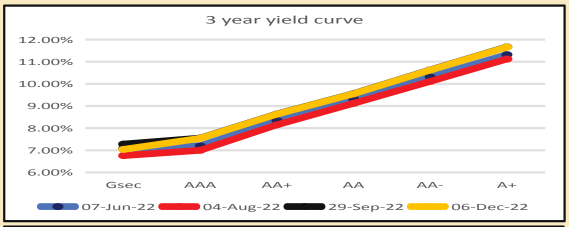
Monetary Policy Update

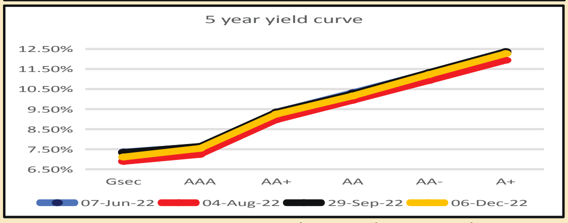
On 7th December, 2022, the Monetary Policy Committee (MPC), based on the prevailing hostile global environment increased the Repo Rate by 35bps to 6.25%, continuing the focus on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth. Key Rates:

- Repo Rate: 6.25%
- Bank Rate: 6.50%
- Marginal Standing Facility (MSF) Rate: 6.50%
- Standing Deposit Facility (SDF) Rate: 6.00%
- Cash Reserve Ratio (CRR): 4.50%
- Statutory Liquidity Ratio (SLR): 18%

- The quantum of the rate hike was in line with the market expectation in the background of continued inflationary risks, protracted geo-political tensions and bleak global economic outlook. This has been RBI's fifth consecutive rate hike in the past eight months amounting to a raise of 225bps so far, still keeping the stance at withdrawal of accommodation. RBI continues to see adverse spill overs from global slowdown, tightening global financial conditions, rising incidence of weather-related disruptions and the upsurge in global financial market volatility as key risks to growth and hence has again revised its growth projection downwards by 20 bps to 6.8% from 7.00%. The inflation forecast has remained unchanged at 6.7% since the August MPC meet. Since the tone of the policy was more hawkish than market expectation, the 10 Year G-sec rose by ~5bps from previous close of ~7.25% and traded ~7.30% levels post the expected policy announcement but settled at 7.27% at closing.

The 3 Year & 5 Year Yield Curve below shows how yields have moved since the last review in September 2022:





Source: RBI Press Release, Fixed Income Databases

- As seen above, the 3 year and 5 year yield curve saw easing across credits over the September review, with the 3 year and 5 year curve easing by ~01bps and ~10bps respectively.
- The AAA spread over G-sec has expanded by ~23bps in the 3 year space, from ~27bps to ~50bps, and the 5 year spread expanded by ~12bps, from ~31bps to ~43bps.
- The 3 year G-sec eased by ~24bps whereas the rest of the 3 year curve eased by 01bps leading to the expansion in the 3 year AAA spread over G-sec

Outlook: While further calibrated monetary policy action is warranted to keep inflation expectations anchored, the governor continues to show faith in India's performance parameters. We believe that we are closer to the end of the rate hike cycle, yet the financial markets will continue to remain volatile to a limited extent.

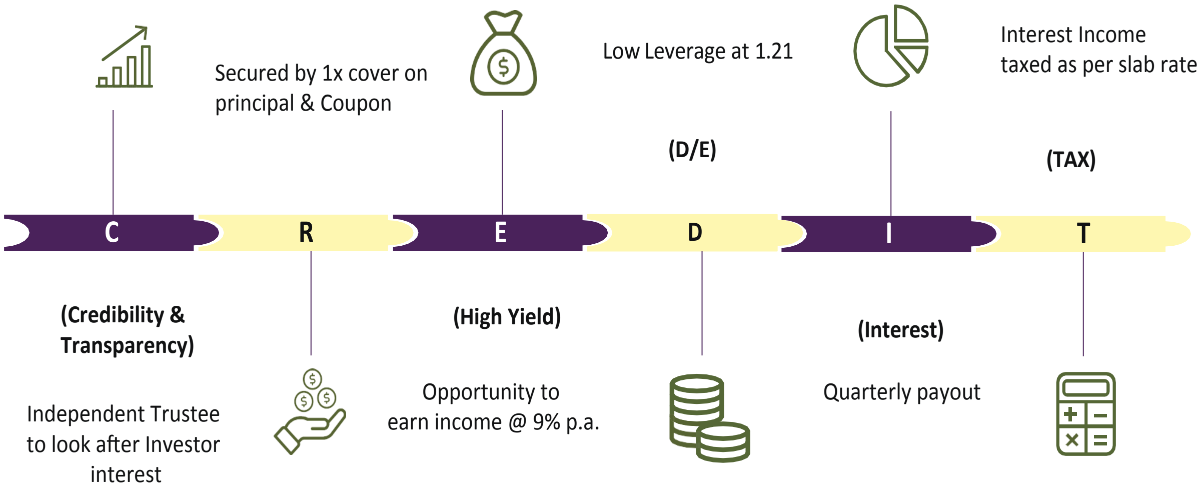
Secondary Market Bond Offers

Security	Maturity/Call	IP	Rating	Yield
Tax Free Quotes				
Security	**Maturity/Call**	**IP**	**Rating**	**Yield**
8.51% HUDCO Tax Free 2028	25-Oct-28	Annual on 25-Oct	IND AAA/Stable	5.06%
8.46% NHB Tax Free 2028	30-Aug-28	Annual on 22-Jan	IND AAA/Stable	5.07%
PSB Perpetual Quotes				
Security	**Maturity/Call**	**IP**	**Rating**	**Yield**
7.74% SBI Perp 2025	09-Sep-25	Annual on 09-Sept	AA+ by CRISIL & IND	7.72%
8.70% BOB Perp 2024	28-Nov-24	Annual on 28- Nov	AA+ by CRISIL & IND	7.62%
PSU Quotes				
Security	**Maturity/Call**	**IP**	**Rating**	**Yield**
7.54% NABARD 2033	15-Apr-33	Annual on 15-Apr	AAA by CRISIL & IND	7.48%
8.94% PFC 2028	25-Mar-28	Annual on 25-Mar	AAA CRISIL, ICRA & CARE	7.45%
Corporate Bonds				
Security	**Maturity/Call**	**IP**	**Rating**	**Yield**
6.75% Piramal Capital & Housing Finance Ltd. 2031	Staggered Maturity (31-Sept-31)	28-Mar & 28-Sept	AA by ICRA & CARE	10.30%
8.05% Mahindra &Mahindra Financial Services Ltd 2032	24-Jul-32	Annual on 01-Apr	AAA by IND Ratings & CARE	7.90%
7.00% HDFC Credila Fin Ser Ltd 2027	12-Nov-27	Annual on 15-Nov	AAA CRISIL & ICRA	7.65%
10.25% Shriram Transport Finance Corporation 2024	26-Apr-24	Monthly on 28th	AA+ CRISIL & IND	8.45%
8.75% Bajaj Fin 2026	14-Aug-26	Annual on 16-Aug	AAA by CARE	7.49%
9.75% Hinduja Leyland Ltd 2028	21-Apr-28	Annual on 22-Apr	AA- by CARE & CRISIL	9.50%
8.00% Tata Capital Fin Ser 2027	19-Oct-27	Annual on 19-Oct	AAA by ICRA & CRISIL	7.70%
8.00% MTNL 2032	15-Nov-32	Semi Annual	AAA by CARE	7.76%
9.95% UP Power 2031	Staggered Maturity (31-Mar-31)	31 Mar, 30 Jun, 30 Sept, 31 Dec	A+ (CE) BY CRISIL & INDIA RATINGS	9.65%

He above mentioned offer(s) are indicative Tand subject to changes in market conditions.

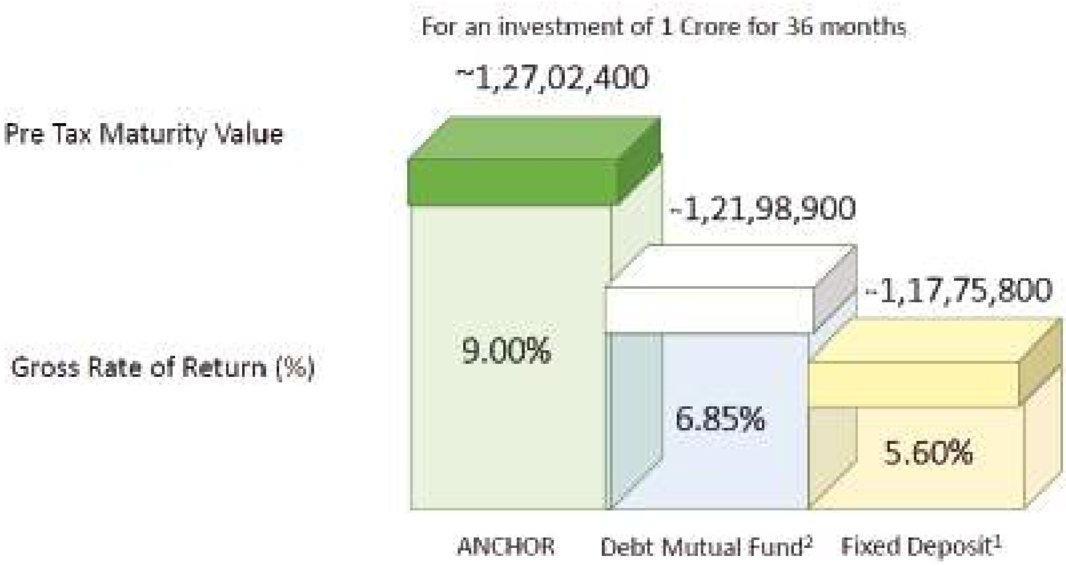
'Please note that investments in these bonds should not be construed as an advice or recommendation however we can facilitate the execution of the same. The bonds are tradeable on the Exchange platform, however we do not provide any assurance or guarantee on the liquidity of bonds. The investment decision 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.'

ANCHOR (Market Linked Debentures)



*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.

What is ANCHOR?



1. 3 year Fixed Deposit rate effective 15th Aug, 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 Aug, 2022

Key Terms of the Issue

Product Name	ANCHOR
Entity	Anand Rathi Shares & Stock Brokers
Listing/Secured	Unlisted/Yes, with a minimum 1x charge against receivables
Coupon/Type	Fixed @ 9.00% p.a.
Coupon Frequency	Quarterly
Redemption Tenor	36 Months
Redemption Date	29th September 2025
Face Value	Rs. 1,00,000 per bond
Minimum Subscription	Rs. 25 lakhs Multiple (25 bonds)
Taxation	Interest Income taxed as per Slab Rate
Issuance Mode	Demat Only

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.

Cash-flow Illustration

Example: For an investment of 25 lakhs for 36 months at par

Date	Cash Flows at 9% p.a.
29-Sep-22	(2,500,000)
29-Dec-22	56,096
29-Mar-23	55,479
29-Jun-23	56,712
29-Sep-23	56,712
29-Dec-23	56,096
29-Mar-24	56,096
28-Jun-24	56,096
27-Sep-24	56,096
27-Dec-24	56,096
28-Mar-25	56,096
27-Jun-25	56,096
29-Sep-25	2,557,945
XIRR	**~9.31%**

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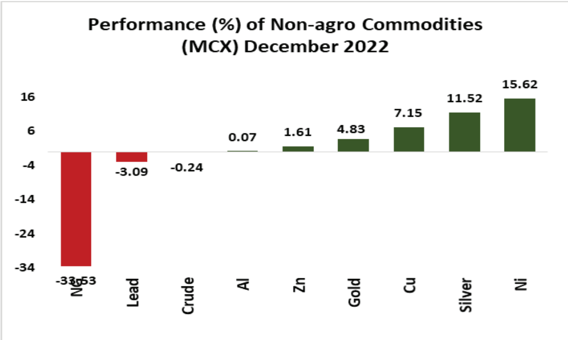
*Returns/IRR showcased are for illustrative purposes only. The returns are pre-tax.

Commodities Outlook

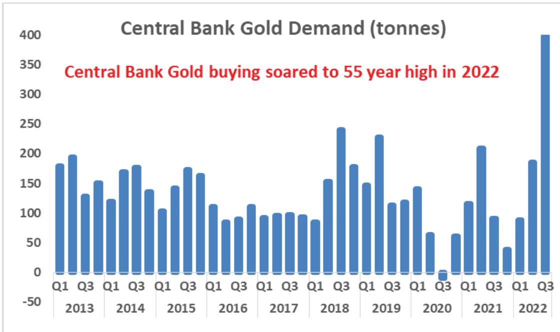


Precious metals continues its rally in December amid weaker dollar, softening Inflation and concerns of global recession in 2023

Spot Gold after declining for six consecutive Months since May'22 witnessed a positive momentum shift in October while Silver gained by more than 3 % in international spot markets driven by firm fundamentals. The sharp up-move was underpinned by the lower-than-expected US inflation numbers. Meanwhile Rollercoaster ride of International gold during the volatile year of 2022 ended with a marginal annual loss, while domestic prices still benefiting from weakness in Rupee. Mere statistics of comparative annual returns may not reflect the volatile journey the yellow metal had throughout the year. On the other hand, gold looks well positioned to shine brightly in 2023 on either stagflation or mild recession scenario combined with geopolitical risks as global economy faces enormous headwinds amid persisting inflation and high interest rates. Such a scenario would solidify position of gold as a reliable asset and a trustworthy store of value.

Overall 2022 remained a not so shining year for precious metals, as major upside seen in first quarter on Russia- Ukraine tensions was followed by losses in next quarter. Meanwhile central banks went on an aggressive tightening till Oct'22 leading to losses in second quarter which deepened in the third quarter. However last quarter saw major recovery which erased almost all losses of 2022. Gold sales were strong in 2022 as demand increased with the Indian economy recovering from the Covid slump. Also Central banks across global economies bought gold aggressively during H2 2022 to diversify away from dollar.

Silver outperformed Gold in H2 2022 as rising industrial prospects amid deficit concerns led metal to end the year on a volatile note. Meanwhile industrial demand also ramped up along with declining global stocks on COMEX & LBMA warehouses led market to remain under deficit for second consecutive year in 2022. Silver outperformed Gold in same period. COMEX inventories fell 70% in the last 18 months to just over 1 million tonnes, and London Bullion Market Association stockpiles fell sharply amid outflows to India.



Central banks globally accumulated gold reserves this year at a pace never seen since 1967, when the US dollar was still backed by the precious metal. In the quarter ending September'22, demand for gold was up 28% year-on-year, reaching 1,181 tons, according to report from world gold council. The demand for gold this year has been primarily driven by a flight towards safer assets amid hotter inflation. A significant chunk of the demand from central banks arose during the previous quarter, setting a record of nearly 400 tons that lifted central bank net purchases to date to 673 tons.

Outlook

2022 remained a volatile year for Gold as upside seen in first quarter on geopolitical risk was offset by aggressive central bank tightening while easing inflation & expectations of recessionary concerns for 2023 took the Centre stage as Gold pared almost all its losses.

Overall downward trajectory for inflation in 2023 and central bank intervention will be key in determining the outlook for H1 2023 and Gold's performance. Meanwhile historically of the 7 US recessions since 1973, gold had performed well during five as per World Gold Council research while the yellow metal has been top performer amond asset classes during periods of stagflation. Overall Gold is expected to perform well in H1 2023 as interest rates cycle's peak, with pressure on the commodities due to a slowing economy could add to downside bias. On the downside we might strong supports around Rs. 53700 – 53200 / 10 gm levels during Q1 2023, while highs of Rs. 57500-59000 is still possible in Q1 2023 amid global recessionary concerns. On the other hand Comex is expected to trade in the range of $1675 - 2050/ounce with a positive bias in H12023.

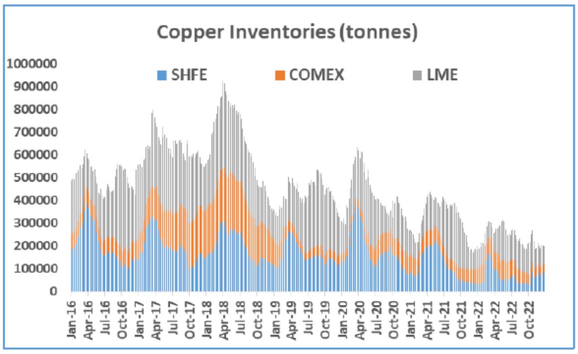
Silver on the other could also find support with China reopening driving optimism in the market in early 2023, while demand from major consumers such as India & China could continue to benefit industrial demand as Silver could continue to outperform Gold and may witness higher levels than seen in 2022. Overall we expect trading range for Silver to remain $ 19 – 28 per ounce in Comex with H1 likely to be more bullish than remaining half of 2023. MCX futures may witness a trading range of Rs. 65500 – 78000 per Kg in Q1 2023.

Base Metals Update:

- Copper ended the year 2022 on a negative note despite supply deficit as China demand ebbed.
- Aluminium faces macroeconomic headwinds as supply tightness persists.

ICSG Forecast '000 tonnes	2021	2022	2023
World Copper Mine Production	21069	22007	23674
World Copper Refined Production	24798	25495	26344
World Copper Refined Usage	25256	25823	26189
World Refined Balance	-458	-328	155

Copper prices ended the year on a negative note as recession concerns in global economies amid slowdown seen in China on Covid Zero policy did offset the looming supply worries for the metal with inventories at multi year low levels. What was the major driver was soaring Covid cases and an unstable, debt-ridden property market in top consumer China which pressured the world's second-largest economy and reduced demand for industrial metals including Copper during the year.



China agency NBS reported contraction in Chinese factory activity for seven month of the year which was the major factor driving prices down. Still,looming shortage worries limited sharp declines in H2 2023 and ramped up expectations for higher prices in 2023. Output from top producer Chile slid 6.7% in the first three quarters of the year, while mine protests in Peru added to low production. Commodity trader Trafigura warned during the last month of the year that global copper stocks have fallen to record lows, with current inventories being enough to supply world consumption for just 4.9days. Also, mining giant Glencore estimated a supply shortfall of 50 million tonnes in 2023.

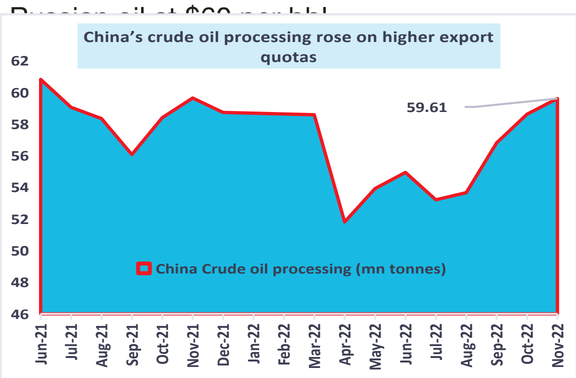
Outlook

After a disappointing 2022, the copper market is expected to see another year of high volatility as the red metal will be driven by concerns of a global recession, slowdown in Global Property market especially in China & the ongoing green energy transition, amid growing demand for electric vehicles to offset some of the weakness in prices. On the supply side the London Metal Exchange will enter 2023 with the smallest available warehouse stockpiles in at least 25 years, creating concerns of short squeeze if demand turns out stronger than expected in H12023. Available inventories of the six main metals traded on the LME plunged by two thirds in 2022, with aluminum's 72% decline accounting for the bulk of the drop, while zinc shrank by 90%. Collectively, inventories not already marked for withdrawal hit the lowest level in data going back to 1997 and finished the year only fractionally higher. Copper on the other hand have seen exchange stockpiles at lowest levels since 2017. Meanwhile with ICSG estimates a surplus in metal balance for Copper for 2023, supplies are estimated to ramp up in H22023. Overall we expect Copper to remain supportive on the downside in the initial half of 2023.Trading range on

LME might remain around $ 7650 – 9300 on LME for Q1 2023, while MCX to witness trading range of Rs. 685 – 750 per Kg. in Q1 2023.

Russia – Ukraine war upended oil prices in 2022

WTI Crude oil surged to a 14 year high of $130 per bbl in March, after Russia invaded Ukraine. Fears of supply disruptions from Russia amid western sanctions propped up oil prices. Biden administration announced an elephant sized SPR release of 180 million barrels (~1 mbpd) in March 2022, to support the tight market. However oil fell more than 40% from March highs, amid lack of supply disruptions from Russia and weak demand emanating from higher interest rates and China lockdowns. Strategic re-route of Russian oil from Europe to Asia (India & China) also weighed down on prices. EU imposed sanctions on Russian seaborne crude shipments and G7 imposed a price cap on Russian oil at $60 per bbl.



Chinese demand recovery to play a crucial role going forward

Recent plunge in crude oil prices, has been majorly due to weak Chinese demand, amid rising covid cases, dampening movement

However, Beijing's plan to dismantle zero-Covid controls in the wake of nationwide protests raises optimism. Oil demand in China is expected to pick up from Q1 2023, as the world's largest crude importer pivots away from its strict Covid Zero policy

The speed of Beijing's retreat from its pandemic regime suggests the country's leaders are now more concerned about the damage to China's economy than the risk of worsening Covid infections. Meanwhile, China's top four state refiners were issued a total 17.06m tons of fuel-export quota in first allocation for 2023, or 49% more than in the same period a year earlier, according to JLC.

The IEA, which advises major economies, bolstered its forecasts for global demand in 2023 by 300,000 bpd, citing factors including surprising resilience in China. Usage will grow by 1.7 mbpd next year to average 101.6 million a day, IEA said in the report. Russia's output which defied the agency's previous predictions of collapse this year is poised to plunge 14% by the end of the first quarter. Meanwhile, global oil demand is forecasted to rise in 2023 by 300,000 barrels a day amid vigorous growth in India and surprising resilience in China, with consumption to grow by 1.7 million barrels a day next year to average 101.6 million a day.

Russian exports poised to fall in early 2023. Russia's Baltic oil exports are predicted to decline by 20% month-on-month in December and the country may reduce output by 500,000 to 700,000 barrels a day in early 2023 after the European Union and G7 nations imposed sanctions and a price cap on Russian crude.

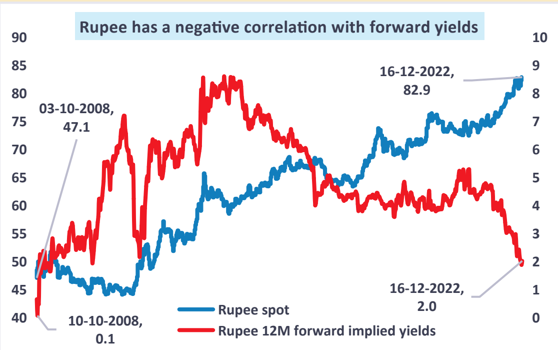
Fundamental Outlook

Global economy is heading into a slowdown. US is expected to enter a mild recession in H2 2023, while Eurozone and UK is probably in a recession. However, prospects of China reopening and a Fed pivot might outweigh deteriorating global growth outlook in Q1 2023. IEA in its monthly report said that, oil prices could rally in 2023 as sanctions could squeeze Russian supplies. Vigorous growth in India, surprising resilience in China and gas to oil switching in Europe might support demand, according to the agency. US Department of Energy is expected to buyback crude oil near $65-$70 per bbl levels to fill strategic reserves, putting a floor under prices. Rising Covid cases and the death toll in China once again pose a threat to the near-term oil demand outlook from the world's top crude importer, though the country's continued reopening is seen as a positive factor to its economy in the long term. We might see some weakness in oil prices for the day. We expect MCX Crude oil prices to rise towards Rs.7,200 per bbl (NYMEX: $87 per bbl) in Q1 2023.

Currency Outlook

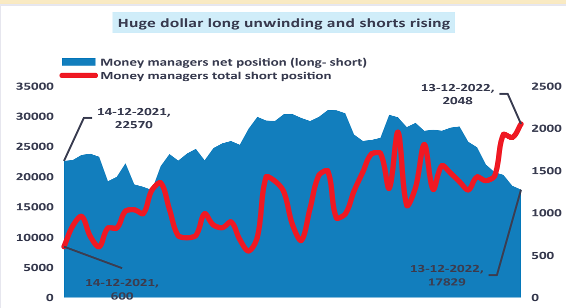
Indian Rupee plunged to record lows in 2022

Rupee fell during all the months of 2022, except for November. The domestic currency weakened on broad dollar strength, narrowing yield differentials with US and widening BoP deficit. Domestic trade deficit rose to a record high of $30 billion in August 2022, as Russia's war in Ukraine propped up commodity prices. The merchandise trade deficit for the April-November 2022 stood at $198.35 billion against $115.39 billion in the same period last year. Delay in Indian bond inclusion in JP Morgan's emerging market bond index also had a negative impact, as the inclusion was expected to bring in $30 bn of inflows in FY24. Meanwhile, IMF slashed India's growth forecast to 6.8% in FY23, citing macro headwinds. The previous year 2022 saw one of the steepest fall in forex reserves, due to RBI intervention and valuation losses from a stronger dollar



Plunging forward premiums have been a major trigger for Rupee weakness

Indian Rupee 12M forward yields fell to a 14 year low in December, amid plunging yield differentials with US coupled with RBI intervention in forwards. RBI has sold more than $55 bn in forwards since the beginning of FY23. Domestic inflation falling below RBI's upper target means RBI is nearing an end of rate-hike cycle. However, Fed is expected to hike another 75 bps and pause rates after that, leading to further narrowing of yield differentials. Lower premiums lead to unwinding of carry trades and incentivizes importer hedging, leading to further fall in Rupee.



The US currency rose to a 20 year high of 114.7 levels in September, aided by a hawkish Fed. 2022 dollar rally was on the back of a 40 year high inflation in US and a hawkish Fed aggressively hiking rates to tame the price pressures. Fed has front loaded 425 bps in 2022, with an unprecedented, four back to back 75 bps hikes. A hot Labour market (with 1.7 job openings for each unemployed person) and inflation running at four times Fed's target bolstered the central bank's hawkish move. US 2 year yields and 10 year yields surged above 4.5% and 4% respectively. However, the greenback started falling sharply in Q4 2022, amid huge dollar long unwinding on prospects of China reopening and Fed's pivotal hopes, after Fed telegraphed slower pace of rate hikes from December

Fundamental Outlook

After falling almost 11% in 2022, India Rupee is expected to be under further pressure in H1 2023. RBI is nearing an end to rate hike cycle, however, Fed has more room left. India's monetary policy could reverse in 2023 as weakness in the global economy may dampen domestic growth, three external members of the Reserve Bank of India's Monetary Policy Committee have hinted recently. Prospects of rate cuts are going to be another major concern on the yield differentials front. Dollar index might fall on expectations of a Fed pivot, however Rupee might be under pressure if US short term yields remain elevated. US CPI has probably peaked in June 2022. Housing market is expected to cool down in coming months. With loosening of Labour market, ex-housing core services can be brought down (which is Fed's main focus). Cooling price pressure and a higher base might lead to lower YoY inflation numbers in coming months. Beijing's plans to completely open the economy might have a hit on safe haven bids. Bank of Japan's monetary policy shift might lead to unwinding of some carry trades along with dollar longs. Amid a global slowdown and a looming recession in Eurozone, India's exports might take a hit. Resilient domestic economy might support imports. BoP deficit is expected to widen further. RBI intervention is key for Rupee stability in the coming months. We expect Rupee spot to trade in the range of 81.3 – 84.1 levels in Q1 2023.

Anand Rathi PMS

MNC Portfolio

Objective & Investment Philosophy

Objective 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.

Successful Business Model

MNC's benefit from the economy of scales by spreading R&D expenditures and advertising costs over their global sales, pooling global purchasing power over suppliers, and utilizing their technological and managerial know-how globally with minimal additional costs.

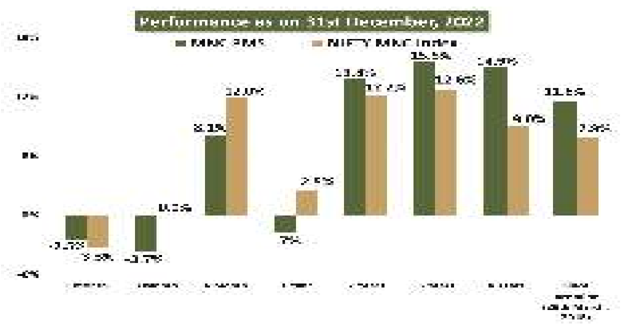
MNC's can use their global presence to take advantage of underpriced labor services available in certain developing countries, and gain access to special R&D capabilities residing in advanced foreign countries

Strong Corporate Governance

MNC's are generally rated high for their corporate governance standard.

MNC's depict high transparency and accountability with well laid out policies and regulatory framework, internal control and risk management.

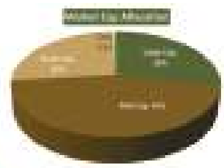
This provide good comfort for an investor who would not fall prey to any negative impact on investment due to corporate mis-management and fraud.



Healthy Balance Sheet

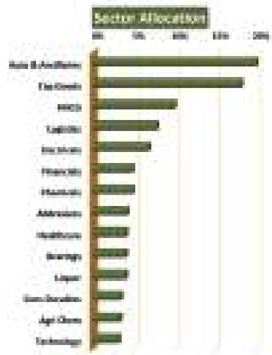
Top Holdings and Allocation

Sr No	Top 10 Holdings	% Holdings
1	KSB Limited	9.03%
2	Blue Dart Express Ltd	7.82%
3	Maruti Suzuki India Limited	7.52%
4	Siemens Ltd	6.87%
5	Schaeffler India Limited	6.15%
6	Hindustan Unilever Limited	5.38%
7	BASF India Ltd	4.85%
8	CRISIL Ltd	4.85%
9	Esab India Ltd	4.78%
10	Nestle India Ltd	4.62%



	Avg Mkt Cap (cr)
Large Cap	241718
Midcap	28004
Small Cap	6779
Overall Portfolio	83938

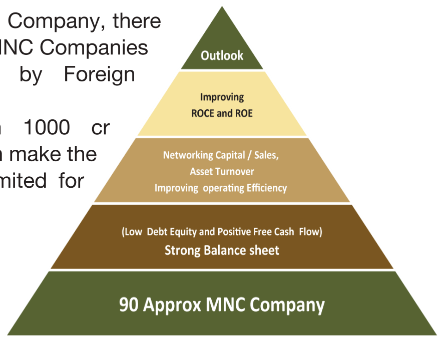
Data as on 31st December, 2022



The current model client portfolio comprise of 20 stocks. Portfolio is well diversified across market capitalization and sector. We have shown top 10 stocks based on current portfolio. Most of the stocks are given more or less equal and sizable weightage in portfolio

Selection Process

Out of 4500 listed Company, there are only 90 odd MNC Companies which are own by Foreign Promoter with more then 1000 cr Market Cap which make the stock universe limited for further evaluation.



Source: *Anand Rathi Internal Research.*

Note:-Returnsaboveoneyeararereannualized.Returnsarenetoffeesandexpenses.

Disclaimer:PastPerformanceisnotnecessarilyindicativeoflikelyfutureperformance.PerformancementionedabovearenotverifiedbySEBI. WehaveshowntheperformanceasAggregateperformanceofallclientsonTWRRbasis

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.

India Vision: Global Powerhouse with USD 5 Trillion dollar economy by 2025

Emerging business of ongoing Industrial Revolution

Opportunity - Accelerated Growth from Business Upcycle

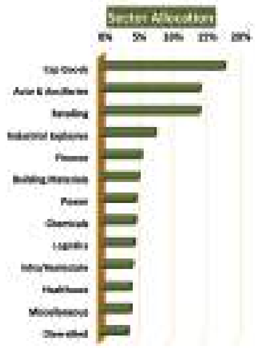
- IIndian economy has found its place among the key global players in many of the sectors.
- India increasing its share and becoming a part of the global supply chain and also a reliable partner.
- Government focus on building capabilities, scale and good manufacturing practices.
- PLI, Export incentive and Atmanirbhar Bharat Initiative very well supportive to strengthen India's private players/ Entrepreneurs 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

Portfolio Synopsis

Sr No	Top 10 Holdings	% Holdings
1	Bharat Electronics Ltd	9.0%
2	Craftsman Automation Limited	8.6%
3	Solar Industries India Limited	8.1%
4	Aditya Birla Fashion and Retail Limited	6.1%
5	Tube Investments of India Limited	6.0%
6	Bajaj Finserv Limited	6.0%
7	Praj Industries Ltd	5.7%
8	Cera Sanitaryware Ltd	5.6%
9	Tata Power Company Ltd	5.2%
10	Metro Brands Limited	5.1%



	Avg Market Cap (cr)
Large Cap	322319
Midcap	26872
Small Cap	7078
Overall Portfolio	113065

Data as on 30th November, 2022

The current model client portfolio comprise of 18 stocks. Portfolio is well diversified across market capitalization and sector. Most of the stocks are given more or less equal and sizable weightage in portfolio.

Structure Product Idea

Nifty Accelerator

Product Name	Nifty Accelerator– 100%	
Issuer	Anand Rathi Global Finance Limited	
Underlying	Nifty 50 Index	
Principal Protected	Principal is not protected	
Tenor(days)	1875 Days	
Initial Fixing Level	150 points contingent from closing nifty then rounded to next 100	
Final Fixing Level	Average of Closing NIFTY on last Thursday of 47th, 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%	1.15x (below -15% till -30% fall with catch-up)	
Decay Multiple (DM2)® Nifty @ 69.99% of initial	0.15x (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-30%)*PR2
	If Final Fixing Level is at or 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))

NIFTY ACCELERATOR- 100%: PAYOFF (Market Linked Debentures Idea)

Nifty Values	Nifty Perf.	Product Return	Nifty IRR	Product IRR
38430	110.00%	100.00%	15.50%	14.40%
36600	**100.00%**	**100.00%**	**14.40%**	**14.40%**
27450	50.00%	100.00%	8.20%	14.40%
24339	**33.00%**	**100.00%**	**5.70%**	**14.40%**
24156	32.00%	74.00%	5.60%	11.40%
23973	31.00%	48.00%	5.40%	7.90%
23790	**30.00%**	**22.00%**	**5.20%**	**3.90%**
21960	20.00%	12.00%	3.60%	2.20%
19764	**8.00%**	**0.00%**	**1.50%**	**0.00%**
18300	**0.00%**	**0.00%**	**0.00%**	**0.00%**
18105	-1.10%	0.00%	-0.20%	0.00%
16470	-10.00%	0.00%	-2.00%	0.00%
15555	**-15.00%**	**0.00%**	**-3.10%**	**0.00%**
15553	-15.01%	-17.26%	-3.12%	-3.62%
14640	-20.00%	-23.00%	-4.30%	-5.00%
12810	**-30.00%**	**-34.50%**	**-6.70%**	**-7.90%**
10980	-40.00%	-36.00%	-9.50%	-8.30%
0	-100.00%	-45.00%	-100.00%	-11.00%

Product IRR* **14.45%**

Tenor **1875 Days**

Target Nifty Perf. **33%**

Product Explanation

NP >= 33%	100% (Contingent Coupon)
30% < NP < 33%	Max(0%,(NP-30%)*PR2
8% < NP < 33%	(NP-8%)* PR1
-15% <= NP <= 8%	Principal Protection
-30% <= NP < -15%	1.15x Decay with Catch-up
Nifty falls beyond -30%	Decay decreases to 0.15x
If NP = -100%	-45% (Max Loss in this product)

*Product IRR assume to be Pre-Tax IRR
NP: Nifty Performance
^ Initial Fixing Level is taken as 18105, adding 150 points contingent: 18255, rounded off to next 100: 18300.
**Historical Standard Deviation is calculated for 1710 days daily rolling NIFTY (Working Days Only) return from 1st Jan'2001 – 31st December 2022.

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

Technical Analysis

NIFTY: January 2023

LEVELS TO WATCHOUT FOR: 18300 - 18500 - 19000 / 18080 - 17775 - 17500

Last session on the D - Street was the final one for the month of Dec 2022 and of the year 2022. The year 2022 can be defined with different adjectives by different type of traders and investors. For the ones who likes volatility; it was a perfect trading year and for the ones who love trending markets it was an abyss for them. For investors; it was a neutral year since it was a year for individual stocks. Over benchmark indices underwent too many wild swings during the 2022 year. The index NIFTY oscillated in a range of around 24% for the entire year and ended with a mediocre gains of over 4%. The only good part about the markets in 2022 was that the NIFTY reached new life time high of 18887. On the other hand; the broader markets underperformed during the year and in fact the Small cap index closed the year with heavy loss.

On the monthly scale; NIFTY has ended with a loss of more than 2.5%. Since past few weeks; we have been constantly echoing our view of profit booking in all our newsletter, media interactions, print and digital media etc. And in line with the view; NIFTY witnessed a corrective move of more than 1000 points from the peak. The FIIs long short ratio logic played really well and this ratio has much room on the downside. This indicates that the correction is not yet over.

Technically; the current price setup look exactly similar to what we saw in Oct 2021. There is a head and shoulder breakdown and then there is a rising trend line breakdown. Recently; NIFTY retested the rising trend line and then we witnessed a red candle. This too indicates possibility of further downside. Thus; going ahead we expect further fall in the markets once the index starts trading below 18080 level. In that scenario; the recent low of 17775 might be under threat and we might be heading towards the placement of 200 DEMA near 17500 mark. On the other hand; only a move above 18500 would negate the bearish stance and then might see new highs very soon. Till then traders are advised to remain stock specific and avoid any aggressive bets.

Meanwhile; the NIFTY BANK index outperformed the benchmarks indices by a huge margin during the year of 2022. The index gained more than 21% and dominated all the other sectoral indices. Now at this juncture; we have a bearish wolfe wave pattern in the index and that would be negated above 44150. Till the time this is not negated we remain cautious or bearish on the banking index. On the downside; support is at 42500 and a close below the same might start a fresh crack in the index towards 41000 - 40000.

Technical Pick - PIRAMAL ENTERPRISES

POTENTIAL UPSIDE 17.35%- 23.13%▲

- Most of the IT stocks had a rough patch in the past few months and then they recovered sharply.
- Even BSOFT recovered well from the lows of 260 and rallied towards 330 and is now again below 300 mark.
- We are witnessing a reversal of trend and the recent fall seems to be a pullback.
- The stock can be accumulated on dips from here. Thus; traders are advised to accumulate the stock **in the range 298 - 290** with a stop loss of 260 on closing basis for the upside potential target of 345 followed by 362 levels in coming 3 – 6 months.

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 IIC 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 (IAF4) / Aug -2016 (IAF4)	Investment : Apr-2005
Exit : Feb-2011	Exit: Nov/Dec 21 (Partial)	Exit : Jun-2018	Exit : Mar-2023	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 : 25.8x
Gross INR IRR: 61.9%[4]	Gross INR IRR: 98%	Gross INR IRR: 29.8%	Gross INR IRR: 25% / 35%	Gross INR IRR: 118%

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	13.75%[3]	Partially Exited	6x-8x	IPO, Capital markets
India1	2019	1,000	BFSI	Joint Control	21.48%[3]	2022-23	2.5x-3x	IPO / strategic
ortheo	2016	1,650	Mfg	Growth PE	26.22%[3]	2022-23	2.5x-3x	Sale to PE / IPO
KIMS	2021	1,800	Healthcare	Growth PE	2.42%	Listed	2.5x-3x	Capital markets
	2017	1,250	Consumer	Joint Control	40.99%	2024-25	5.5x-6x	Sale to strategic/PE
DCB BANK	2016	2,358	BFSI	Growth PIPE	4.36%	Listed	2x	Capital markets
	2021	1,800	Mfg	Growth PE	21.9%-24.2%	2024-25	2.5x-3x	IPO

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

ICICI Venture

iREIF 2

India Real Estate Investment Fund Series 2

Affordable Housing Focused Debt AIF

Overview of ICICI Venture

ICICI Venture

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

ICICI Venture at a Glance

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

ICICI Venture's Business Verticals

		Private Equity	Real Estate	Infrastructure	Special Situations
AUM/A[1]		$1.9bn[2]	$700mn[3]	$453mn[3]	$1.25bn[4]
Strategies		Growth Equity	Debt	Energy	Debt, Mezzanine
		Joint Control	Equity	Utilities	Distress Buyouts
		Buyouts	Mezzanine	Buyouts	Equity Recaps

Real Estate Foot Print


Affordable housing


Mid-high end housing


Office development


Mixed use

iREIF 2

Evolution of our RE Vertical

ICICI Venture

Private Debt has been our core strategy since the last decade

		IAF RE S1 2005-06	IAF RE S2 2011-12	IREIF 2018-19	iREIF 2
Size		*INR 22.00 Bn*[1]	*INR 3.75 Bn*[1]	*INR 5.83 Bn*	*INR 10.00 Bn*[2]
India focused		✓	✓	✓	✓
Debt focused		✗	✓	✓	✓
Equity focused		✓	✗	✗	✗
Strategy	*Affordable Housing*	✗	✓	✓	✓
	Pan Residential	✓	✓	✓	✓
	Commercial/ Retail	✓	✓	✗	✗
	Mixed use	✓	✗	✗	✗
	Pan India	✓	✗	✗	✗
	Top 7 cities	✓	✓	✓	✓
Number of deals		*13*	*8*	*11*	*10-12*[4]
Exited		*13*	*8*	*2*	-

iREIF 2

ICICI Venture's Footprint of Financing for Housing

Financed over 15,000 units / 14.2 million square feet of Affordable Housing & Mid-income projects in India

Mumbai Metropolitan Region (MMR)

Total Area 3.2 Mn sft	Arihant Superstructures
Total Inventory 4,917 units	Mayfair Housing
Ticket Size INR 3.5-24 Mn	Platinum Homes
	Suraj Estate
	Dhanuji Shahji

Pune

Total Area 9.2 Mn sft	SKYi
Total Inventory 8,554 units	Kolte Patil
Ticket Size INR 2.6-8.5 Mn	

Bengaluru & Chennai

Total Area 1.8 Mn sft	Mahaveer
Total Inventory 1,477 units	Prince Foundation
Ticket Size INR 4-13 Mn	LICL

iREIF

Our RE debt exit track record

We have a proven, superior exit track record in our RE debt strategies

Developer	Type	Investment	Exit	Gross IRR
ARIHANT	Affordable Housing	Oct 2018	April 2021	22.5%
SKYi Developers	Affordable Housing	Oct 2019	Oct 2021 (Largely)	22%
Rajesh LifeSpaces	Housing	Oct 2013	Sept 2015	25.2%
[illegible]	Affordable Housing	August 2015	Jan 2016	23.4%
[illegible]	Affordable Housing	Oct 2012	Jul 2014	22.7%
AHUJA	Housing	Dec 2012	Jul 2015	22.2%
PRINCE	Affordable Housing	Dec 2014	Oct 2016	21.2%
SUNSHINE	Commercial	Dec 2014	Aug 2016	21.8%
DS	Affordable Housing	Oct 2014	Nov 2016	20.8%

iREIF

iREIF Portfolio Overview

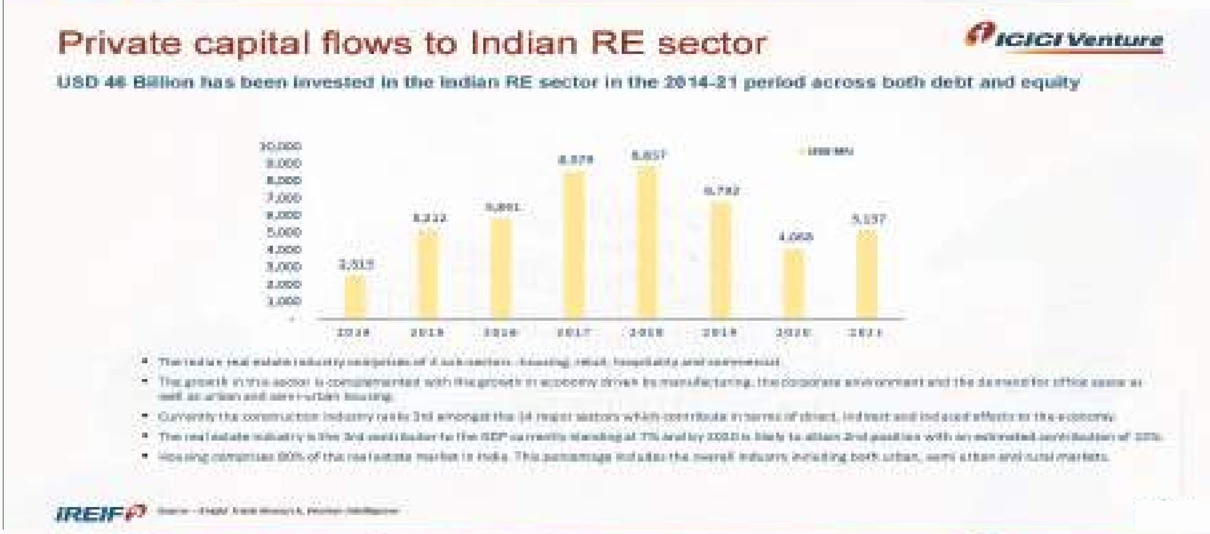
Backing affordable housing projects with leading developers in each micro-markets

Portfolio	[illegible]	[illegible]	Location	Project Type	[illegible]	[illegible]	[illegible]
ARIHANT	[illegible]	[illegible]	[illegible], MMR	Affordable Housing	[illegible]	[illegible]	Exited
ARIHANT	[illegible]	[illegible]	[illegible], MMR	Affordable Housing	[illegible]	[illegible]	On schedule
SKYi	[illegible]	[illegible]	[illegible], Pune	Affordable Housing	[illegible]	[illegible]	[illegible]
SKYi	[illegible]	[illegible]	[illegible], Pune	Affordable Housing	[illegible]	[illegible]	On schedule
MAYFAIR	[illegible]	[illegible]	Virar, MMR	Affordable Housing	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible], MMR	Affordable Housing	[illegible]	[illegible]	On schedule
[illegible]	[illegible]	[illegible]	[illegible], MMR	Housing	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible], MMR	Affordable Housing	[illegible]	[illegible]	On schedule
[illegible]	[illegible]	[illegible]	[illegible], MMR	Affordable Housing	[illegible]	[illegible]	On schedule
[illegible]	[illegible]	[illegible]	[illegible]	Affordable Housing	[illegible]	[illegible]	[illegible]
pooja	[illegible]	[illegible]	Hyderabad	[illegible]	[illegible]	[illegible]	[illegible]

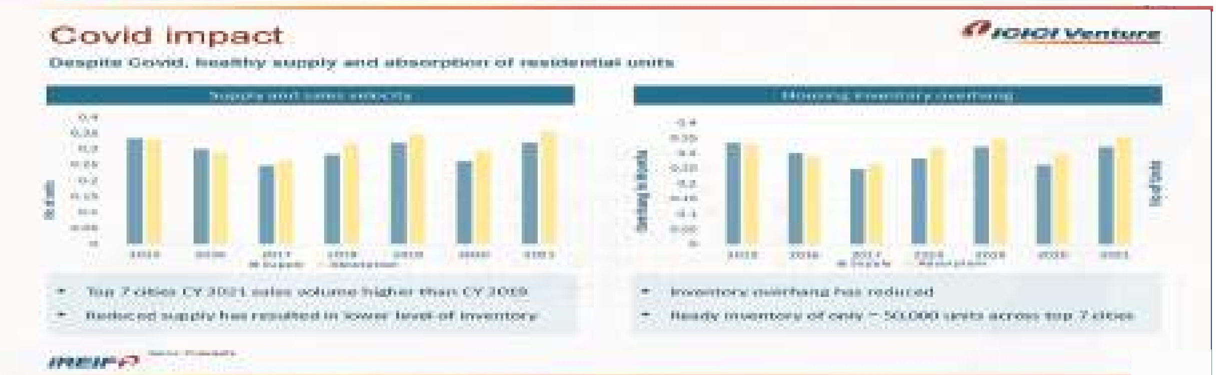
iREIF deal log

iREIF

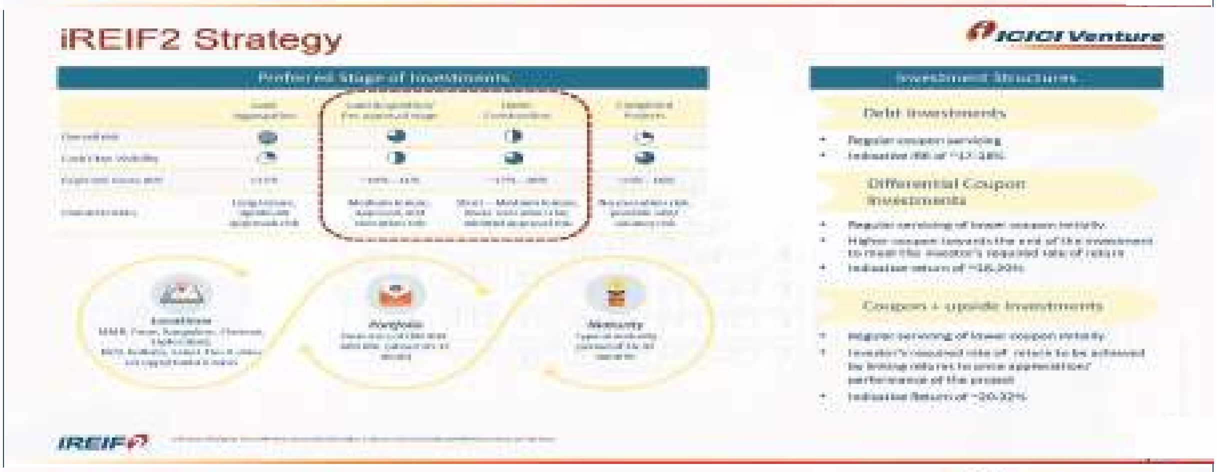

Leveraging ICICI Group RE strengths
MOU with ICICI Bank
ICICI Venture
ICICI Group
ICICI Bank CRPG
ICICI HFC
01
Key features of MoU
02
Benefits of MoU
IREIF


Private capital flows to Indian RE sector
ICICI Venture
USD 46 Billion has been invested in the Indian RE sector in the 2014-21 period across both debt and equity
10,000
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
IREIF


iREIF2 target market snapshot
ICICI Venture
MMR and Pune account for 53% of Sales
% of Overall Sales from 2015-2021
City wise residential unit sales
Affordable & Mid Income continues to drive overall volume
% of Sales in Mid income & Affordable
21%
79%
IREIF


Covid impact
ICICI Venture
Despite Covid, healthy supply and absorption of residential units
Supply and sales velocity
Housing inventory overhang
Top 7 cities CY 2021 sales volume higher than CY 2019
Reduced supply has resulted in lower level of inventory
Inventory overhang has reduced
Ready inventory of only ~ 50,000 units across top 7 cities
IREIF


iREIF2 Strategy
ICICI Venture
Key pillars
Focused on Private Debt in Housing Projects (at least 51% in Affordable Housing*)
10-12 deals; Focus on Top 7 Indian cities
India focused: View on India 2030
Typically INR 400-600 Mn per deal through interest bearing NCDs
"No Go": Pure Equity risk, pure-play commercial, early stage land aggregation risk
iREIF
Focus on Tier 1-2 developers in chosen micro-markets; MOUs executed with select IREIF funded & other leading developers
Tap synergies across ICICI Group
Target Gross INR IRR of 17%-22%
Typical Security cover of 1.5x on a post tax basis; Active portfolio monitoring
IREIF


iREIF2 Strategy
ICICI Venture
Preferred Stage of Investments
Investment Structures
Debt Investments
Differential Coupon Investments
Coupon + upside Investments
IREIF


iREIF2 Process
ICICI Venture
ICICI Venture leverages its well-established process for implementing iREIF2 investment strategy
Project Management
Target Returns within Targeted Holding Period
Distinctive and disciplined structuring and rights
Rigorous due diligence
Deal sourcing
IREIF


iREIF2 key terms*
ICICI Venture
Fund
Final Closing
Investment period
Fund Term
Preferred Rate of Return
Additional Return
Others
IREIF

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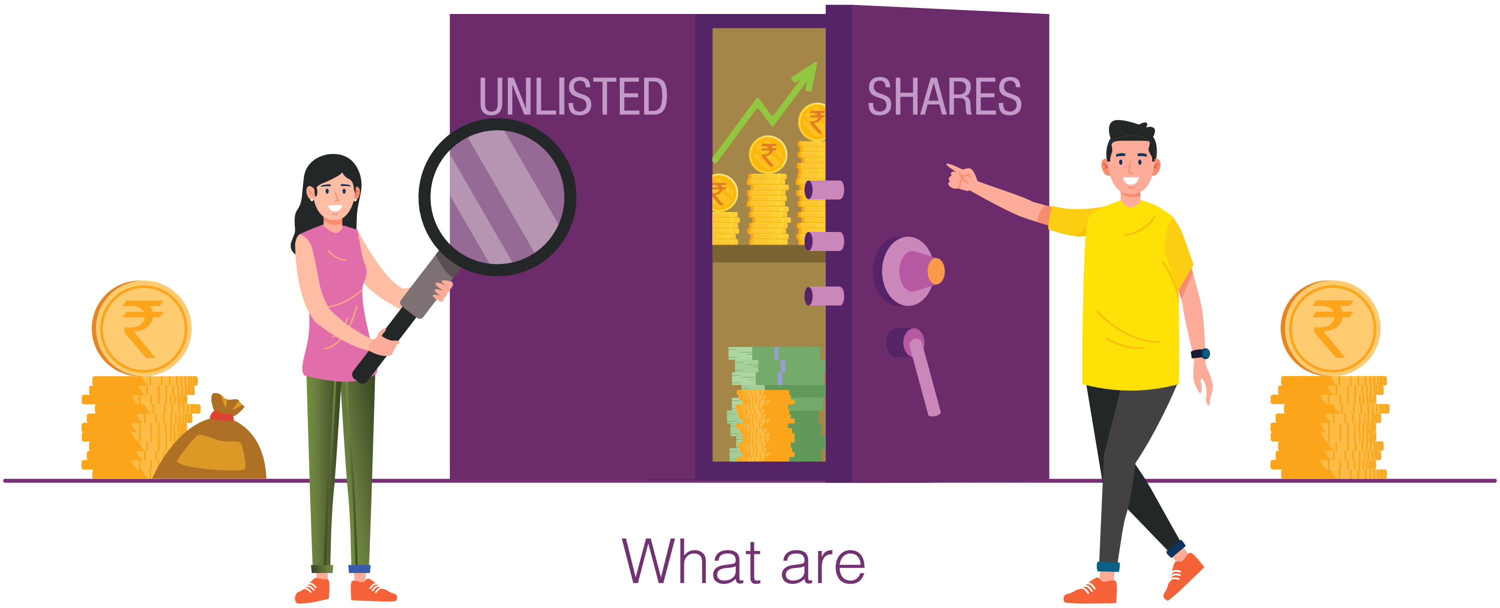
PRIVATE CLIENT GROUP
EQUITY

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).

Company	Sector
Reliance Retail	Retail
HDB Financial Services Ltd.	Financial Services
Chennai Super Kings	IPL Team
TATA Technologies Ltd.	Engineering
(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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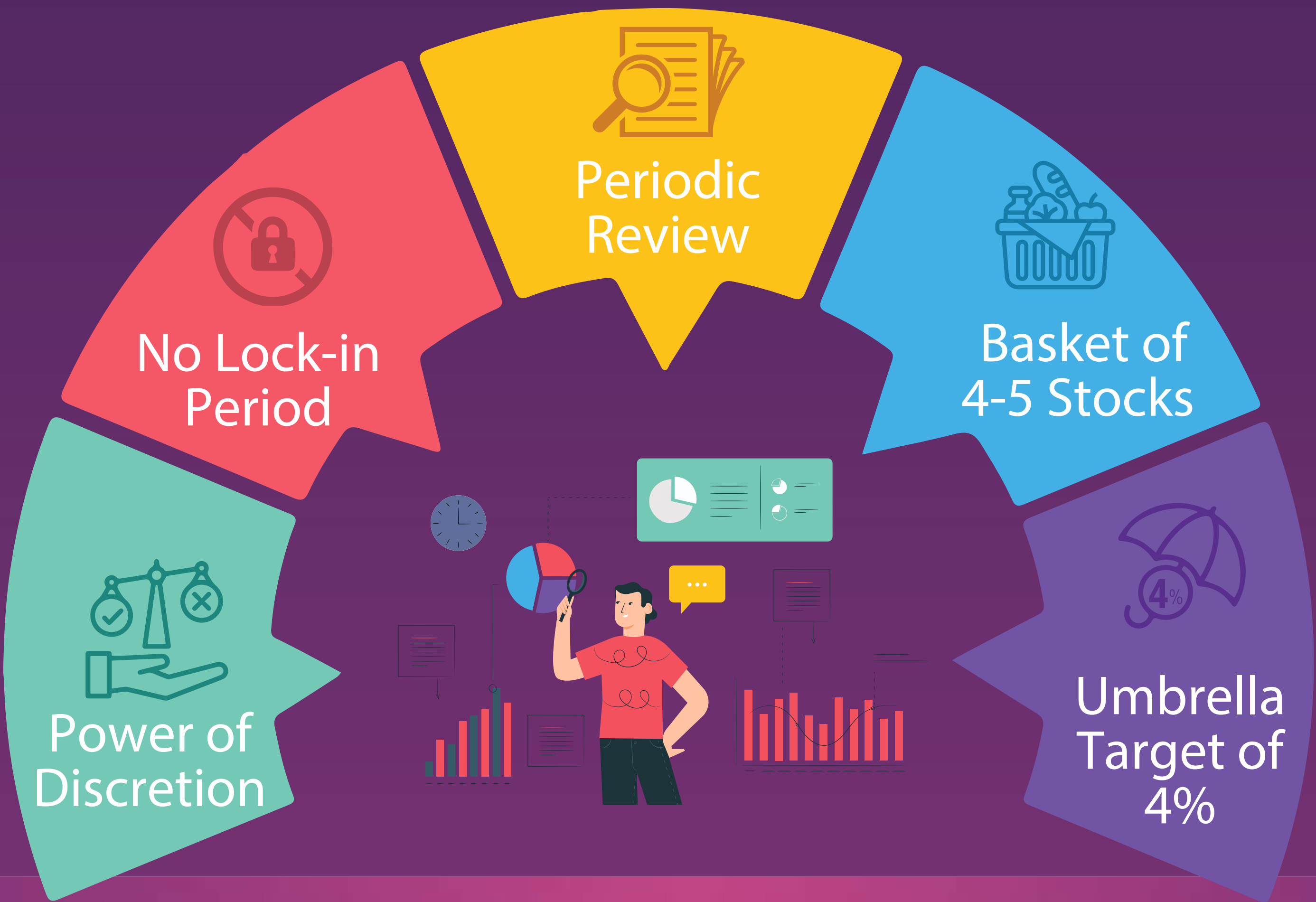
Quality Investing - Simplified!

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

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Note

Note

FINANCIAL

FLASH

January 2023

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INVESTMENT SERVICES

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