AnandRathi
Private Client Group
Equity
PCG

# FINANCIAL FLASH

April 2023

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# INDEX



# PCG Communique

## From the Desk of the PCG Head

**Rajesh Kumar Jain**

## US BANK FIASCO

If 2022 was the year of "heightened global uncertainty", this year is proving to be no different. Until last week, the US financial system seemed resilient to aggressive interest rate hikes. That perception has now been shattered. Cracks have started showing in the US banking system, triggering fears of a possible financial contagion. The macroeconomic after maths will be felt far away in India, even if our banking system does not immediately face the same kind of problems. How might the US situation play out, and what does it imply for the Indian economy needs to be understand. The financial year 2023, that was marred by decadal high inflation, aggressive monetary policy stance by global central banks and Russia-Ukraine crisis, saw the Indian equity markets hardly giving any return to investor. FY 23-24, will see the 1st half wherein the central banks will keep struggling with inflations and post which we will face the consequence of higher interest which will effect high cost of capital, demand headwinds, low credit growth specially in housing sector, synchronisation of NIM margin of banks etc.

The Foreign portfolio investors (FPIs) inflow continued to reduce their position in Indian equities as bears dampen the mood in the past two weeks of March due to banks turmoil in the US and Europe. By end of March, FPIs inflow stood at ₹1997.70 crore in domestic equities, while DII has been net buyer to a tune of ₹30548.77CR. FPIs are expected to continue to be cautious in the near term. The FII buying figure is positive to the fact that in the initial days, due to a mega block deal of ₹15,446 crore in Adani group of companies had led FPIs inflow at ₹13,540 crore in the overall market from March 1st to March 10th. If remove this block deal then FIIs has been net seller in March month too.

Over the past one year, the S&P BSE Sensex gained 0.72% while the Nifty50 declined 0.6%

The Sensex advanced led by gains in ITC Ltd., Mahindra & Mahindra Ltd., NTPC Ltd., Hindustan Unilever Ltd., and Larsen & Toubro Ltd. On the other hand Wipro Ltd., Divi's Laboratories Ltd., Hindalco Industries Ltd., Tech Mahindra Ltd., and Bajaj Finserv Ltd. trailed the Nifty in the last 12 months, ended with negative return.

If one looks at the world market, there has been quite a dis-similarity between the performance of the world market Vs India for FY23.

| World Market | Return (%) |
|---|---|
| Euro Stoxx 50 | 10.32% |
| CAC 40 | 9.69% |
| FTSE 100 | 1.65% |
| NIKKEI 225 | 0.79% |
| SENSEX | 0.72% |
| NIFTY 50 | -0.60% |
| S&P 500 | -10.59% |
| DOW JONES | -5.24% |
| HANG SENG | -7.26% |
| NASDAQ 100 | -12.63% |
| IBOVESPA | -13.57% |

What led to such performance of the equity market were events such as multi-decadal high inflation, aggressive monetary policy stance by global central banks w.r.t interest rate hikes and the continuing Russia-Ukraine war. The US & EU banking insolvency fear is the latest entrant to the rank of uncertainty risk.

When it comes to sectoral performance, the worst performing sector of FY23 was Nifty Media, down by 28.32 per cent, followed by Nifty IT, which closed FY23 with a loss of 21.87 per cent. The star performer was Nifty PSU Bank, which gained by 36.44 per cent for FY23. This despite witnessing a major cut of more than 10 per cent in the last quarter of FY23. The next best performing sectoral index was Nifty FMCG which gained by 26.23 per cent for the financial year.

On the commodities front, in the last FY, gold prices went up by 18.6% YoY, while in the last one month (1st March to 31st March), the prices went up by 10.15%. Similarly, the price of silver climbed 9.7% YoY and 13.13% MoM.

Equity market over the last 18 months hasn't given any return, the recent fall in the market has led to the correction in the valuation substantially from 24x 1-year forward P/E in Oct'21 to 17.6x currently against the 19.5x long-term average. This offers a moderate margin of safety. In the near term, focus will now remain on RBI's policy meeting, where 25-bps rate hike is expected in line with the hikes done by major global central banks. Apart from this, markets will also take cues from the results season kicking in from next week. We need to closely listen to the commentary by the corporates. In FY24, we expect strong growth in earnings due to improving margins as raw material prices cool off. This would be further supported by demand revival that had moderated since Q3FY23.

Rupee Weakened Against the U.S. Dollar in FY23. The Indian rupee has weakened by Rs.6.39 to 82.18 from 75.79, against the U.S. dollar a year ago. Rupee weakened by 8.44% in the last 12 months against the greenback.

For the first half of FY24, we expect the volatility to persist until and unless we do not get a clear picture of how the banking crisis in the US and Europe unfolds and how policymakers both in the US and Europe respond to the crisis. Overall, there could be uncertainty as to how the various global macro situations would unfold.

During the course of March, the world has come to know that quite a few small-and mid-sized American banks are in trouble. Along with this, Credit Suisse, a perennially troubled big Swiss bank, was rescued by its rival UBS. There is also the risk of contagion spreading to other banks. These troubles show the instability of the financial system as it exists through much of the rich-world.

In such a scenario, money has moved to gold and driven up its price over the last few weeks. Over the centuries, gold has been looked upon as a safe haven, where money rushes to when things get a little difficult in the financial system. The question is how did we get to this stage this time around.

The genesis of the SVB collapse can be traced to the decisions of the US Federal Reserve during the pandemic period. The Fed lowered interest rates close to zero and injected vast amounts of liquidity. Banks (like SVB) consequently received large volumes of deposits and invested them in treasury bonds, which made them dependent on these bonds for earning returns. The trouble started when the bond yields has started spiking and the MTM losses has started accumulating. In US, banks don't do provision for these MTM losses on bonds. As the MTM losses started accumulating high, the Silicon Valley Bank(SVB) has come to mkt to sell the shares and raise money for liquidity but unfortunately mkt hasn't subscribed to this and the bank couldn't able to raise the money. The panic stricken that the bank doesn't have enough liquidity to pay to its depositors. Due to this there is a crisis among all depositors, who all started queuing for withdrawing their money from the back due to the fear of bankruptcy.

Indian bank is immune to all this, as in India the MTM losses has to be provisioned. Unlike US where there are > 4000 banks, where as in India there are a total of 34 nationalized banks in India of which 12 are Indian government banks and the rest 22 are private sector banks. US bond yields has almost double pre pandemic. Where Indian Treasury yields has been 6.5%pre pandemic which is now 7.3%, hence the MTM hasn't been much which was not the case with US. Plus, in India the liability side is quite sticky wherein 66% of the deposits are household deposits which tends to be very sticky. The Indian Banks are quite robust and the NPA levels is the lowest currently, thanks to the legal framework of IBC.

After lagging the urban regions in recovery post the pandemic, India's rural economy continues to show a pick-up even as it faces fresh headwinds from heatwaves. High-frequency indicators available for the rural economy suggest stabilising conditions and improving incomes. Strong Rabi sowing and a higher wage growth has supported gradual recovery in rural demand.

**The Key Risk**

US recession could dampen sentiments in India, while a rise in commodity prices due to China's growth recovery could delay an exit from the rate hikes for the RBI as inflation rises. The balance of payment remains imponderable with consequences on domestic liquidity. Stocks are not outright cheap as the market continues to price in mid-teen earnings growth. The US economy could see a slowdown. Preliminary US GDP data for the fourth quarter of 2022 shows that the economy has grown by 2.7 per cent. This is much lower than the 3.2 per cent growth seen in the third quarter. The ongoing banking crisis in the US is likely to weigh more on economic growth. Powell in his press conference said the impact of recent developments on the economy is unclear at the moment. But, as seen from the projections, it seems the recent banking crisis is likely to have a more negative impact on the economy. The Fed had revised the economic growth projection sharply down to 1.2 per cent in 2024. Earlier, it had forecast that the US economy will grow 1.6 per cent next year.

**The Going Ahead**

Annual Results, corporate commentary for the year & monsoon will play a crucial role for determining the next trend in the market. With hot waves in Feb and unseasonal rain in March and a possible El Nino condition in April & May will determine the prices of agri commodities and rural income.

Market is relatively cooled off and there has been a substantial time and price correction in most of the stock. At the same time, we have election in 5 states and in 2024 there are general elections which will keep the market under check. We are advising client to stick to large caps only. FIIs are underweight on India among Asian peers as conditions improve in China, South Korea and Taiwan.

# Market Commentary

The Nifty index ended the March month on a slighter positive note as it closed at '17,359' as compared to February end '17,309', an increase of 0.28%. Similarly, Sensex ended the March month at 58,991 with a positive return of 0.91%.

Snapping three-week losing streak, Indian equity benchmarks ended the passing week with a gain of two and a half percent as traders went for bargain hunting after recent drubbing. Markets started the holiday truncated week with minor gains as S&P Global Ratings kept its forecast for India's economic growth unchanged at 6 per cent in the fiscal year starting April 1, before rising to 6.9 per cent in the following year. In the quarterly economic update for Asia-Pacific, S&P saw inflation rate easing to 5 per cent in 2023-24 fiscal, from 6.8 per cent in the current financial year. Some support also came with the Reserve Bank stating that India's forex kitty rose by $12.798 billion to $572.801 billion in the week ended March 17. In the previous reporting week, the reserves had dropped by $2.39 billion to a three-month low of $560.003 billion. However, gains remain capped and markets traded quietly in the subsequent session as foreign fund outflows dented the domestic sentiments. FPIs returned to their old ways by selling shares to the tune of Rs 890 crore on March 27. Traders also got anxious with private report stating that the Reserve Bank of India will raise its main interest rate by 25 basis points on April 6 and then pause for the rest of the year. Buying in final two days of the week mainly helped markets to snap the week with significant gains as traders took encouragement with Commerce and Industry Minister Piyush Goyal's statement that the country's merchandise and services exports are estimated to cross $760 billion in the current fiscal ending March 31. He said that at a time when the whole world is facing recession, high inflation and elevated interest rates, India is performing well. Sentiments remained positive amid fresh foreign fund inflows. Traders also took a note of Fitch Ratings' statement that even as the Union Budget has outlined a Rs 10 trillion capital expenditure plan for 2023-24 to spur growth, domestic companies are likely to see a 10% to 12% increase in capital expenditure in the coming fiscal.

The S&P Global India Manufacturing PMI rose to a 3-month high of 56.4 in March 2023 from 55.3 in the previous month, topping market forecasts of 55.0. Output rose at the quickest pace since last December and one that outpaced its long-run average, and new order growth was at 3-month peaks. Also, export sales accelerated while purchasing activity rose the most since May 2022. Meantime, goods producers kept payroll numbers largely unchanged amid the weakest rise in a year of outstanding business volumes. Suppliers were reportedly able to deliver purchased materials in a timely manner, pointing to a fractional improvement in vendor performance. On inflation, March data highlighted the second-weakest increase in input prices in 2-1/2 years, while selling prices rose at a pace broadly similar to that in February. Finally, sentiment slipped to an eight-month low due to concerns surrounding competitiveness and general inflation.

The S&P Global India Services PMI increased to a 12-year high of 59.4 in February 2023 from 57.2 in the previous month, beating market forecasts of 56.2, indicating a sharp expansion in output, amid the joint-best improvement in new business intakes in 12 years. Meanwhile, employment rose only marginally, with backlogs of work increasing further. On the pricing front, input cost inflation eased to a 23-month low, while output cost inflation slowed to a 12-month low. Looking ahead, business sentiment deteriorated to a seven-month low and below the historical trend.

The annual consumer price inflation in India slowed slightly to 6.44% in February of 2023 from 6.52% in January, compared to market forecasts of 6.35%. The inflation stayed above the Reserve Bank of India target of 2-6% for a second consecutive month, after a slowdown in the last three months of 2022, due to the rupee depreciation and as companies are passing on some input price increases to clients. Food inflation was little-changed at 5.95%, compared to 5.94% in the previous month, with prices for spices (20.2%), cereals (16.7%) and milk (9.7%) recording the biggest increases while prices of vegetables dropped 11.6%. Meanwhile, a slowdown was seen in cost for fuel and light (9.9% vs 10.84%), miscellaneous (6.12% vs 6.21%) and clothing and footwear (8.8% vs 9.08%) while prices rose faster for housing (4.83% vs 4.62%); and pan, tobacco, and intoxicants (3.22% vs 3.07%).

The country's merchandise exports fell in February 2023. India's merchandise exports in February fell to $33.88 billion as compared to $37.15 billion in the year-ago period. India's overall exports (Merchandise and Services combined) in February 2023* are estimated to be USD 63.02 Billion, exhibiting a positive growth of 7.81 per cent over the same period last year. Overall imports in February 2023* are estimated to be USD 65.85 Billion, exhibiting a negative growth of (4.38) per cent over the same period last year. The country's merchandise imports dropped 8.5% to $51.31 billion as compared to $55.90 billion a year before. The merchandise trade deficit for the April- February 2023 stood at $247.52 billion against $172.53 billion in the same period last year.

The Goods and Services Tax (GST) collections for the month of March 2023 stood at ₹1,60,122 crore which is 13% higher than the GST revenue in the same month last year, which itself was ₹1,42,095 crore. In March, revenue from import of goods was 8% higher and the revenue from domestic transactions (including import of services) are 14% higher than in the corresponding period a year ago.

India’s foreign exchange reserves have again shows positive signs as it increased by US$5.98 billion to $578.77 billion in the week through March 31. Foreign currency assets increased by $4.38 billion to $509.73 billion for the week ending March 31.

The U.S. markets ended higher during the passing week, as concerns about turmoil in the banking sector continued to ease after sparking substantial volatility on Wall Street in recent weeks. A lack of major negative developments regarding the banking industry in recent days has led to confidence that the situation has stabilized. The uptick by the headline index came as the expectations index rose to 73.0 in March from an upwardly revised 70.4 in February. However, some cautiousness prevailed in the markets during the week as the U.S. economy grew by slightly less than previously estimated in the fourth quarter of 2022, according to revised data released by the Commerce Department. The report said real gross domestic product shot up by 2.6 percent in the fourth quarter compared to the previously reported 2.7 percent jump. Street had expected the pace of growth to be unrevised. The Commerce Department said the slower than previously estimated growth reflected downward revisions to exports and consumer spending. The increase in consumer spending, which accounts for more than two-thirds of U.S. economic activity, was downwardly revised to 1.0 percent from 1.4 percent.

European markets ended passing week on a strong note, tracking positive global cues, as concerns over a banking crisis continued to fade. The start of the week was in green, as Germany's business confidence unexpectedly strengthened in March underpinned by robust improvement in expectations despite turbulence in the global banking sector. The data from the Munich-based ifo institute showed that the business climate index rose to 93.3 in March from 91.1 in February. The score improved for the fifth consecutive month. The reading was forecast to fall to 91.0. Besides, Italy's consumer confidence strengthened for the second straight month in March, reaching its highest level in just over a year. The survey results from the statistical office Istat showed that the consumer sentiment index improved to 105.1 in March from 104.0 in the previous month. This was the highest reading since February 2022, when it was 112.4. On the inflation front, Spain consumer price inflation eased in March to the weakest since August 2021 due to falling electricity and fuel prices but core inflation remained sticky. The flash estimates from the statistical office INE showed that consumer prices climbed at a much slower pace of 3.3 percent from the last year, following the 6.0 percent increase in February. The latest rate was the lowest since August 2021 when it was at the same level. Prices were expected to advance 3.8 percent. Moreover, Germany's consumer price inflation eased markedly in March as the sharp increase in energy prices seen over the same period last year dropped out of the annual comparison.

Asian equity benchmarks, barring Shanghai Composite Index, ended in green terrain during the passing week with easing concerns about the global banking system as well as strong readings on Chinese manufacturing, services and construction activity helping boost investor sentiment. The upside, however, was capped by tough talk by Fed officials on the rate outlook. Key U.S. inflation data due later in the day is expected to provide additional clues on the Fed's monetary policy path. A softer inflation reading may prompt Fed officials to postpone plans for a possible rate hike at the next FOMC meeting in early May. Japanese Nikkei ended higher by around one and half percent as the Ministry of Economy, Trade and Industry or METI said Industrial production in Japan was up a seasonally adjusted 4.5 percent on month in February. That beat expectations for an increase of 2.7 percent following the 5.3 percent contraction in January. The METI also said the total value of retail sales in Japan was up 6.6 percent on year in February. That beat forecasts for an increase of 5.8 percent and was up from the downwardly revised 5.0 percent gain in January. However, the Ministry of Internal Affairs and Communications said the unemployment rate in Japan came in at a seasonally adjusted 2.6 percent in February. That was well above expectations for 2.4 percent, which would have been unchanged from the January reading.

The S&P Global US Manufacturing PMI increased to 49.1 in March of 2023 from 47.3 in February, beating forecasts of 47, preliminary estimates showed. The reading pointed to the smallest contraction in the current five-month sequence of falling factory activity, amid a renewed rise in production and a softer fall in new orders. Also, inflationary pressures softened amid less marked supplier price hikes and moderations in some raw material costs. There was also an unprecedented improvement in supplier delivery times which in turn led to a slower fall in input buying and a softer depletion of pre-production inventories. Lead times were reduced to the greatest extent on record, allowing firms to start replenishing stocks and process backlogs of work, which fell solidly. Employment continued to rise at a modest pace and firms noted further difficulties finding skilled candidates. Finally, confidence was the lowest for three months amid inflationary concerns and uncertainty about demand.

The S&P Global Eurozone Manufacturing PMI came in at 47.3 in March 2023, little-changed from a preliminary estimate of 47.1 and down from 48.5 in the previous month. The latest reading pointed to the sharpest deterioration in the health of the bloc's manufacturing sector since last November, due to an 11th month of decline in factory orders and a survey-record shortening in suppliers' delivery times. New export orders also fell again, although the contraction was the softest since mid-2022. On the other hand, production rose marginally, but at a pace that was the strongest since May 2022, and employment levels continued to rise modestly.

The au Jibun Bank Japan Manufacturing PMI increased to 49.2 in March 2023 from February of 47.7, which was the lowest reading since September 2020, revised higher from a preliminary estimate of 48.6, amid further economic recovery. This was the fifth straight month of contraction in the sector but the softest pace in sequence, as both output and new orders shrank at the softest pace in five months. Meanwhile, firms increased employment levels for the twenty-fourth month running, though the rate of job creation eased to the slowest since April 2021 and was only marginal overall. On the pricing front, input cost inflation slowed to the lowest since August 2021. Meanwhile, output cost inflation accelerated for the second successive months, and the steepest pace in three months, as firms partially passed higher cost burdens to clients. Finally, business sentiment strengthened to a five-month high, amid new product launches and hopes a broad domestic and global demand recovery.

**Going Ahead**

As inflation soared in 2022, central banks around the world tightened policy interest rates and withdrew monetary and fiscal stimulus. Also, geopolitical conflicts escalated dramatically, the global supply chain remained disrupted in some places, and protectionism rose dramatically. All these factors contributed to increased uncertainty in the financial markets and a decline in projections for GDP growth and corporate profitability. Most of these uncertainties may persist in the current year. Recent banking sector uncertainties in North America and continental Europe have only compounded existing problems. However, despite these challenges, some trends have emerged which, bode well for the future of financial markets and in particular, Indian equities.

The rapid tightening of monetary policy to combat inflation is having an adverse effect on the economy. Authorities in any country seek financial stability above all else. Therefore, central banks around the world will be extremely cautious about raising interest rates, despite the fact that high inflation is expected to persist in the near future in most countries. This indicates that the current round of monetary tightening around the world is nearing its conclusion. There is evidence to suggest that in course of 2023, inflation will decline more rapidly and significantly in many countries than is currently expected. On the other hand, the impact of monetary tightening on growth may be even more severe than is currently anticipated. As a result, some countries may begin easing their monetary policies in Oct-Dec'23.

In any economy, banks play a crucial role as systemic institutions. A disorderly failure of even a modest bank could have far-reaching consequences for the international banking system. No major central bank is going to risk losing depositor confidence without taking action. This means that most central banks will adopt a more accommodating stance on their liquidity policies to safeguard depositors' interests. All of this points to a more hospitable liquidity and interest rate environment in 2023 than was previously expected.

Earnings for corporations may be temporarily impacted by a slowdown in growth, but this effect can be mitigated by a more favourable interest rate and liquidity environment. The global debt and stock markets benefit from these conditions. Considering the likely earnings performance Indian corporate sector and the valuation multiples that Indian companies can command, the outlook for Indian equities over the medium to long term can improve significantly.

# ANCHOR (Market Linked Debentures)

**C** – **(Credibility & Transparency)**
Independent Trustee to look after Investor interest

**R** – Secured by 1x cover on principal & Coupon

**E** – **(High Yield)**
Opportunity to earn income @ 9% p.a.

**D** – **(D/E)**
Low Leverage at 1.21

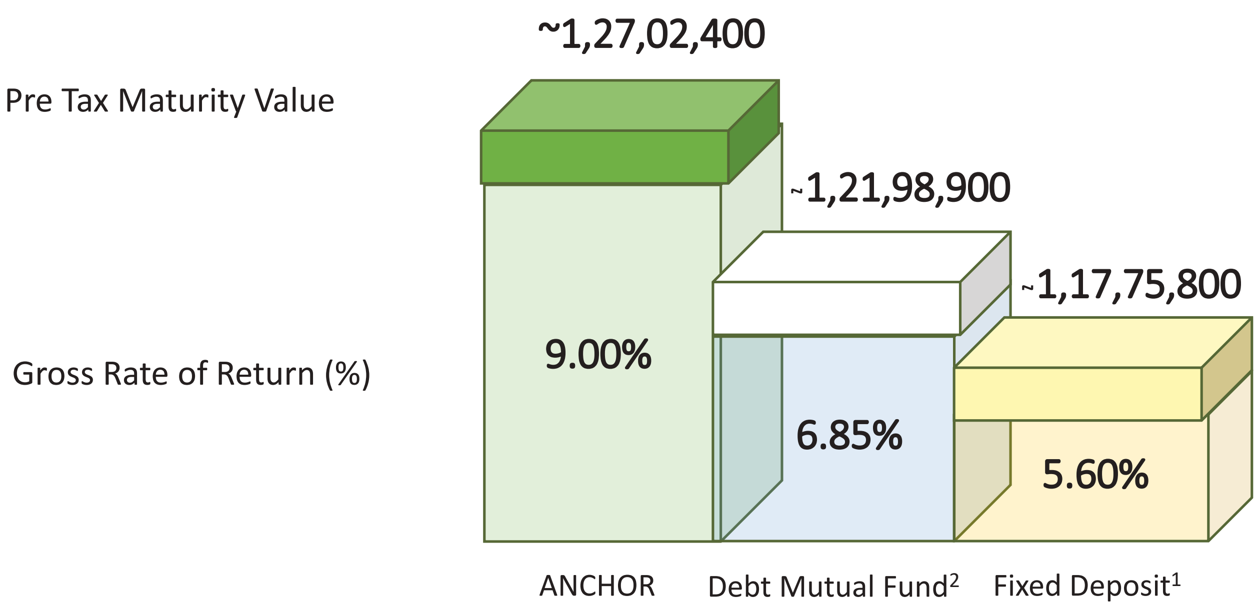
**I** – **(Interest)**
Quarterly payout

**T** – **(TAX)**
Interest Income taxed as per slab rate

*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?

For an investment of 1 Crore for 36 months




1. 3 year Fixed Deposit rate effective 13th 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 |

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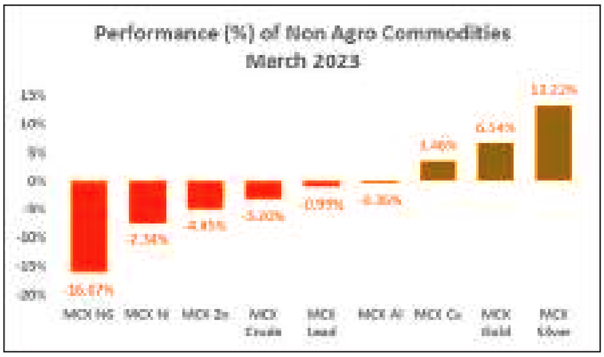
*Returns/IRR showcased are for illustrative purposes only. The returns are pre-tax.

# Commodities Outlook



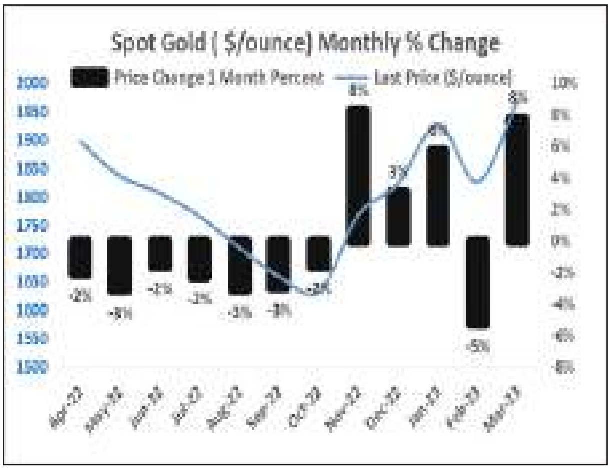

**Precious metals turn bullish amid US Banking crisis driving safe haven bets**

With banking crisis emerging in US and Europe amid fear of economic slowdown, Gold prices delivered stellar return among all assets in first quarter of the current year (CY) 2023. On MCX, gold prices shot up from around ₹54,975 per 10 gm to around ₹60,500 per 10 gm levels during January to March in CY23, logging around 8 per cent rise in the recently ended March 2023 quarter. In quarter to quarter (QoQ) time, the yellow metal ended higher on second straight quarter.

Started with recessionary concerns which benefitted Gold in January while easing inflation & weaker dollar supported the sentiments. Overall downward trajectory for inflation in 2023 and central bank intervention remained the key in determining the outlook for H1 2023 and Gold's performance. Gold withdrawals from the Shanghai Gold Exchange increased by 76 tons year-on-year, the highest since 2014 in March. The rise in gold outflows from the exchanges indicates strong demand from the wholesale market. China reported the highest Gold import in 2022 after 2018. The People's Bank of China started official Gold purchases in November and continued in February. An increase in the gold premium in Shanghai and London indicated further strength.

As banking crisis persisted in March US Fed went ahead with its 25 bps rate hike amid indications rate hike might pause in upcoming meetings. Continued decline in cost pressure needed to consider before it will end its hiking policy, with higher rates typically negative for non-interest bearing gold.

Finally on MCX front Gold which touched a high around Rs. 60455 per 10 gm levels in MCX April contract corrected by almost 5 %, turning volatile before paring losses to regain back above the same levels. On the downside the counter could




continue to find strong supports in the zone of Rs.58500-56200 per 10 gm levels while the market may look ahead to further cues on Inflation & US Fed policy meeting for direction ahead. With Oil prices shooting up in past few sessions have again led to inflationary concerns which could weigh on prices as yellow metal could find strong resistance around its previous high of $ 2009 hit on Comex. However signs of slowdown in US Growth to be seen in the current quarter with Manufacturing PMIs already seen declining in the first quarter could lead to safe haven appeal in yellow metal as the same is vulnerable to test new all time high around $ 2150 in Comex & Rs. 64500 per 10 gm on MCX futures contract.

**Base Metals Update**

**Copper remains the best performing base metal in last quarter amid supply tightness & China growth optimism: Global slowdown concerns to limit sharp upside in same.**


Year 2023 started with bullish momentum in Copper, Zinc & other base metals as China reopening optmimism from Covid Zero policies led to bullish positioning in base metals despite slowing macro conditions. However metals lost momentum in February as seasonal slowdown in consumption in China led to rise in Shanghai inventories as copper witnessed losses on monthly basis.

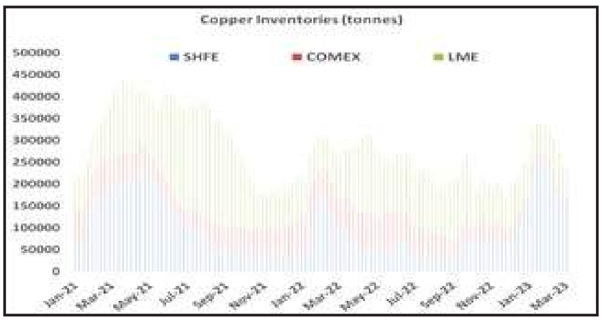
London copper prices witnessed their first monthly drop in four in February, weighed down by a firmer U.S. dollar and as demand from top consumer China remained subdued. US banking Crises however added fuel to the fire escalating slowdown concerns. However depleting inventories in Copper coupled with rise in spot premiums in China towards the end of March indicated consumption pick up as second quarter remained a peak consumption quarter in China.

The latest PMI reading revealed that China's manufacturing struggling to pick up steam while opening the way for higher output in the coming months and suggesting the economic reopening had a profound impact on activity. Persistently tight supply also supported copper. Market Participants also pointed to rising demand from the air conditioning sector.

The world's refined copper market saw a three-tonne surplus in December, compared with a deficit of 93,000 tonnes in November, the International Copper Study Group (ICSG) said in its latest monthly bulletin. World refined copper output and consumption in December were about 2.2 million tonnes. In 2022, the market was in a 376,000-tonne deficit compared with a 455,000-tonne deficit in the previous 12-month period, the ICSG said.

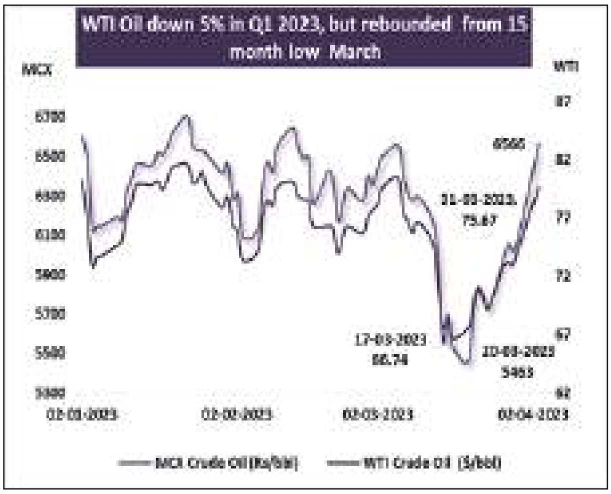
**Outlook**

Copper inventories continued to deplete across major exchanges during March, as China might witness some uptick in the demand cycle during




H2 2023; compounded to the low and unstable mining supply from Chile and Peru, and the demand-supply balance could again turn into deficit. This could lead to a significant rally in copper prices in the coming quarter. For copper to touch $12000 levels by year-end, a supply squeeze needs to be complemented with a recovery in global demand led by China.Overall we expect LME Copper (CMP $8983 per tonne) to remain in the range of $ 8600 – 9350 per tonne in near month in 3M futures contract owing to broader slowdown concerns to emerge.

**Crude oil saw a bumpy ride in March as obstacles mount on macro front, fundamentals still support oil bulls**




Crude Oil fell below the tight trading range of $70-$80 last month and touched 15-months low in mid-March as worst banking failure since 2008 financial crisis stirred fears over contagion to the rest of the system that might have led to recession-led demand downturn in crude oil. The banking crisis, which began in the U.S., quickly grew arms in Europe and altered the risk/return profiles of virtually all major asset classes. Nonetheless, as the title says, it was a bumpy ride in March for oil traders as prices saw a sharp rebound during the second half of the month. Yet, they fell short of turning March into a positive month, and took an even bigger hit of more than 5% on a quarterly basis. On the MCX, prices dipped to below 5,400 levels and recovered to settle the month 3% lower at Rs 6,199 per bbl.

A dip in the prices was mostly macro driven while the broader fundamentals remained intact. Hence, as the banking crisis eased and the central authorities provided assistance, oil markets erased most losses. Adding to the recovery in the prices was the drawdown of the US crude and gasoline inventories portraying a rosy demand picture along with escalating geopolitical tensions and disruption in supplies from Turkey. All these factors contributed to Crude's recovery rally last month.

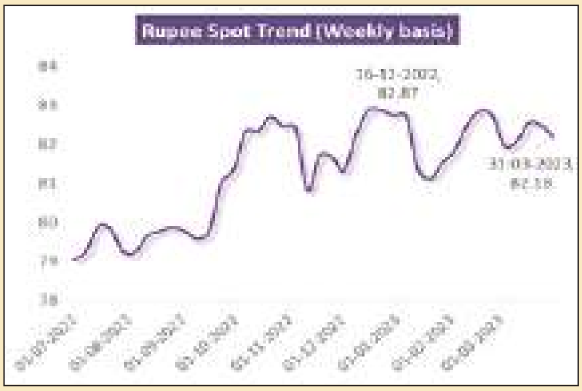
## Outlook

The month of April started with a bang for crude oil as the OPEC+ allies surprised markets, by widening crude oil production cuts to over 3 million barrels per day (bpd) or 3.7% of global demand. The shocking announcement helped push up prices once again above $80. The OPEC's output cut is mainly to stabilize prices as it fears global recession in west. But, the question here is will prices hold above $80 this month. Considering Russia continue to exports oil by rerouting oil away from Europe and the U.S and that the China's full restoration will take longer, oil prices should take a temporary pause before resuming the fresh rally in May. Renewed inflationary concern will prompt Fed to continue tightening the rates and will exert pressure on the prices, boosting dollar and exerting pressureon the dollar denominated commodities. But, over the longer term, OPEC's output cut could have a longer-lasting impact on prices than Russia's invasion as the setup for oil demand is very different than it was a year ago. This year, demand is poised to surge as full restoration of China's reopening points to tighter markets in H2 2022. Demand is likely to jump by 3 million barrels a day from the first quarter to the fourth quarter, turning a glut into an undersupply. Accordingly, the month of April should see oil prices continue trading in a range of $72-$82 levels before resuming its fresh rally toward $95-$97 in the later part of this quarter.

# Currency Outlook

### Sufficient forex reserves and expected inflows to limit weakness in rupee

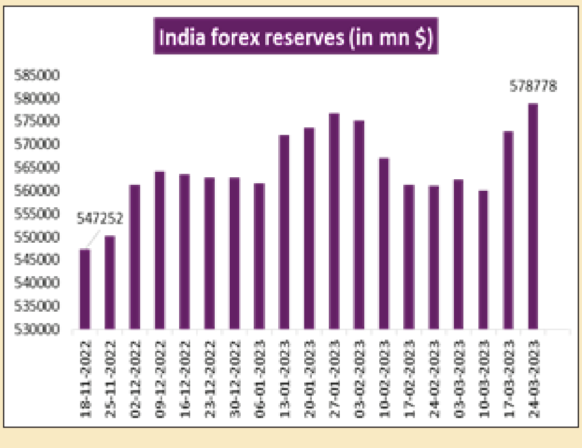
The Indian rupee appreciated by 48 paisa or 0.59% on a monthly basis and 55 paisa or 0.67% on a quarterly basis to close at 82.18 against dollar, in the month of March. The appreciation bias is mainly on the back of a broad dollar weakness, easing oil prices foreign inflows.




The dollar index witnessed a monthly drop of 2.3% and quarterly drop of 1% as the Federal Reserve's terminal rate went through multiple revisions due to persistently strong economic data and fears of a U.S. banking crisis.

Banking crisis did exerted pressure on emerging market currency including Indian rupee, but the sufficient forex reserves and oil price dent, limited the USDINR pair breaching 83 levels.

India's forex reserves rose by $5.98 billion to a six-week high at $578.78 billion during the week ended 24th March. India's foreign currency assets (FCA), the biggest component of the forex reserves, saw a rise of $4.38 billion to $509.72 billion. India's gold reserves rose by $1.37 billion to $45.48 billion.




March turned out to be the first month in the current calendar year when Foreign Institutional Investors' (FIIs) money flow turned positive, thanks to investment in Adani Group companies by the US-based GQG Partners. Rise in the US interest rates did not bode well for the Indian markets, as it lead to foreign investors pulling their money out from emerging markets like India and infuse into treasuries and money markets of the US. But, long term India's growth story looks positive and may provide an opportunity for investors to accumulate quality stocks at reasonable levels

India's current account deficit (CAD) has narrowed to $18.2 billion or 2.2% of GDP in Q3FY23 from 4.4% of the GDP in Q2. The CAD for Q3 has printed well below expectations, resulting in a compressed print of US$67 billion for April-December 2022. With a considerable compression in the average trade deficit in Jan-Feb 2023, the size of the CAD is expected to recede further to around $10-12 billion in Q4 FY2023. The RBI monetary policy decision is due in the first week of April and a quarter point rate hike is expected in line with the other major central banks. India's retail inflation jumped above the RBI's upper target band of 6% in the first two months of 2023. Persistently high core inflation, over 6% for 17 straight months, is also holding back policymakers from easing on rates amid early signs of a demand slowdown. US Fed pivot may be seen in the second half of 2023 while RBI may keep the rates sustained after April's quarter point hike leading to widening of yield differentials between India and US and thus prompting inflows.

### Outlook

Indian Rupee might depreciate as oil prices have one again bounced toward $80 level after the recent output cuts announcement by OPEC that would start in May. Higher oil prices and renewed inflationary concern may keep Fed's hawkish stance intact in the next monetary policy supporting dollar's strength. India imports more than 85% of its oil need. It's a double whammy for the domestic currency if dollar and oil prices are rising together. On one side, it puts pressure on the trade deficit, while on the other side, imported inflation pressurizes RBI to hike more, at the cost of growth. However, at the same time, widening yield differentials with US might prompts inflows and keep upside in USDINR pair capped. sufficient forex reserves may keep upside in INR pair capped around 83-83.10 levels.

Anand Rathi PMS

# PMS Portfolio

## Objective & Investment Philosophy

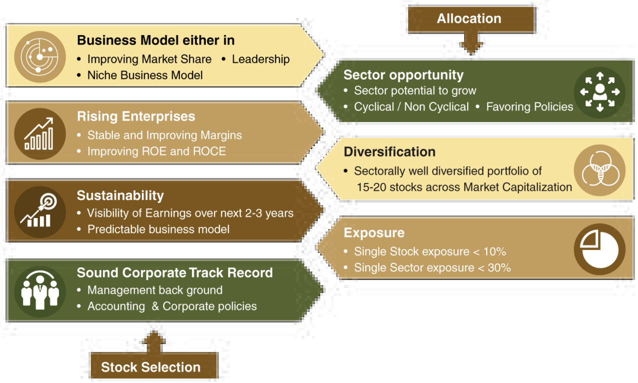
**Objective**

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

Value investing is the art of buying stocks which trade at a significant discount to their intrinsic value. Portfolio Manager achieve this by looking for companies on cheap valuation metrics, typically low multiples of their profits or assets, for reasons which are not justified over the longer term.

Growth investing is a style of investment strategy focused on capital appreciation Portfolio Manager invest in companies that exhibit signs of above-average growth, even if the share price appears expensive in terms of metrics such as price-to-earnings or price-to-book ratios.

## Investment Process




## Re-VIEW Strategy

**V – Valuation Check**

A constant check is kept on the valuation of the companies so that any stock whose valuation becomes relatively high, due to any reasons like sentiments or increase in liquidity, is exited before any price correction comes to the stock. We then shift the money to a new stock with a reasonable valuation.

**I – Impact of Events**

A stock price can be highly affected by an event or series of events, recent examples: COVID crisis, Russia-Ukraine War, Increase in Crude Price, Interest Rates Hike etc. Our team actively tracks these events and makes timely modifications as per the situation's needs to minimize risks & optimize returns.

**E – Earnings Visibility Changes**

Our fundamental research team scrutinizes the quarterly results of the companies to understand the current & future estimated growth. If we are not satisfied with 2 or 3 quarterly results of the company & don't see growth, we take an exit to move to another stock.

**W – Weightage Check of the Holdings**

Every stock & sector has been capped to a certain percentage of the total allocation to limit downside due to any uncertainties and also diversify the portfolio. If any stock or sector reaches near to the decided percent of allocation, we book profits and reduce the weightage and invest into any other stock.

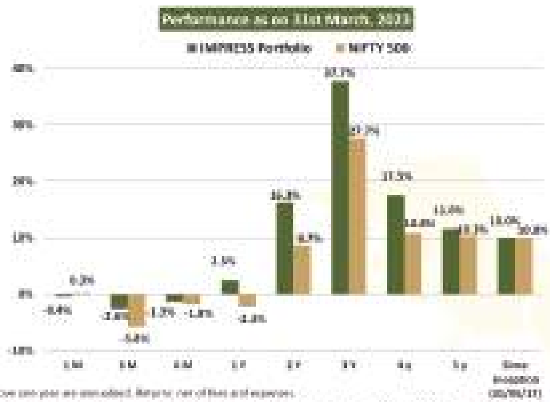
## Top Holdings & Market Cap Allocation

| Sr No | Top 10 Holdings | % Holdings |
|---|---|---|
| 1 | Ratnamani Metals & Tubes Ltd. | 7.9% |
| 2 | Bharat Electronics Ltd. | 6.5% |
| 3 | JK Lakshmi Cement Ltd. | 6.2% |
| 4 | Radico Khaitan Ltd. | 6.1% |
| 5 | Solar Industries India Ltd. | 5.9% |
| 6 | KEI Industries Ltd. | 5.7% |
| 7 | Bajaj Finance Ltd. | 5.5% |
| 8 | ICICI Bank Ltd. | 5.1% |
| 9 | Sharda Cropchem Ltd. | 5.0% |
| 10 | Varun Beverages Ltd. | 5.0% |

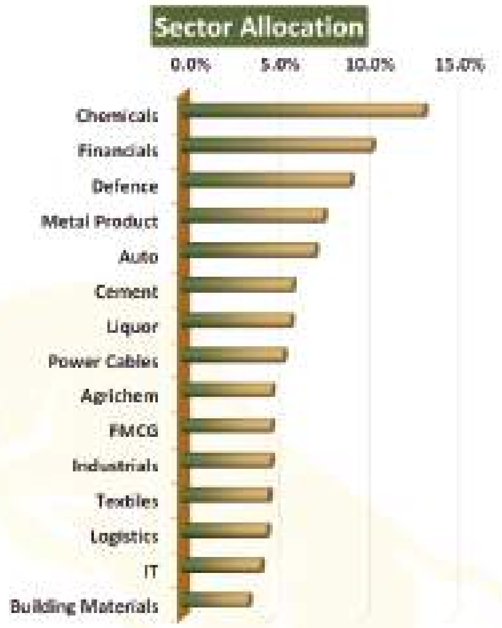
| Avg Mkt Cap (cr) | |
|---|---|
| Large Cap | 283378 |
| Midcap | 28488 |
| Small Cap | 7270 |
| Overall Portfolio | 84364 |

Data as on 28th February, 2023

## Portfolio Performance




Note - Returns above one year are annualized. Returns 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.



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

Note: The above opportunity are given for illustration purpose there are many other emerging business in this ongoing industrial revolution, which could form a part of portfolio.

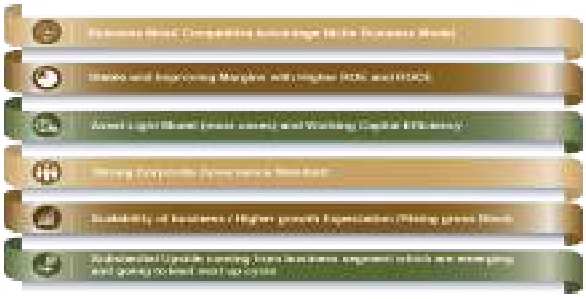
## Opportunity - Accelerated Growth from Business Upcycle


- 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/ 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

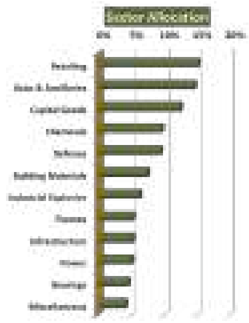
The key to success is to adapt to the changing business dynamics

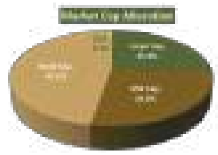
## Stock Selection Process



## Portfolio Synopsis

| Sr. No. | Top 10 Holdings | % Holdings |
|---|---|---|
| 1 | Bharat Electronics Ltd | 9.5% |
| 1 | Craftsman Automation Limited | 8.7% |
| 1 | Cera Sanitaryware Ltd | 7.5% |
| 1 | Solar Industries India Limited | 6.3% |
| 1 | Tube Investments of India Limited | 6.0% |
| 1 | Praj Industries Ltd | 5.9% |
| 1 | Aditya Birla Fashion and Retail Limited | 5.7% |
| 1 | Gujarat Fluorochemicals Limited | 5.3% |
| 1 | Bajaj Finserv Limited | 5.3% |
| 1 | Power Mech Projects Limited | 5.3% |

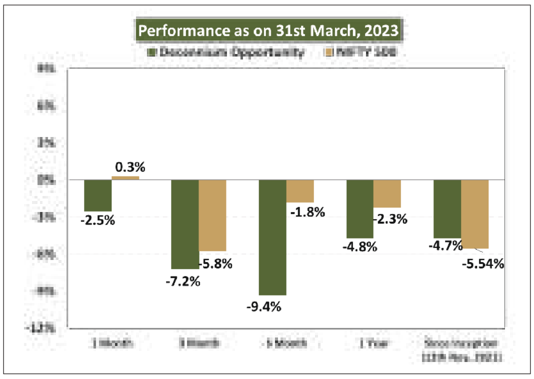




| | Avg Market Cap (cr) |
|---|---|
| Large Cap | 95752 |
| Midcap | 26030 |
| Small Cap | 6343 |
| Overall Portfolio | 33604 |

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.

Data as on 31st March, 2023



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 $47^{th}$, $50^{th}$, $53^{rd}$ & $56^{th}$ 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)®**<br>**Knock-In Put @ 84.99%** | 1.15x (below -15% till -30% fall with catch-up) | |
| **Decay Multiple (DM2)®**<br>**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 |
|---|---|---|---|---|
| 37590 | 110.00% | 100.00% | 15.50% | 14.40% |
| **35800** | **100.00%** | **100.00%** | **14.40%** | **14.40%** |
| 26850 | 50.00% | 100.00% | 8.20% | 14.40% |
| **23807** | **33.00%** | **100.00%** | **5.70%** | **14.40%** |
| 23628 | 32.00% | 74.00% | 5.60% | 11.40% |
| 23449 | 31.00% | 48.00% | 5.40% | 7.90% |
| 23270 | 30.00% | 22.00% | 5.20% | 3.90% |
| 21480 | 20.00% | 12.00% | 3.60% | 2.20% |
| **19332** | **8.00%** | **0.00%** | **1.50%** | **0.00%** |
| **17900** | **0.00%** | **0.00%** | **0.00%** | **0.00%** |
| 17662 | -1.30% | 0.00% | -0.30% | 0.00% |
| 16110 | -10.00% | 0.00% | -2.00% | 0.00% |
| **15215** | **-15.00%** | **0.00%** | **-3.10%** | **0.00%** |
| 15213 | -15.01% | -17.26% | -3.12% | -3.62% |
| 14320 | -20.00% | -23.00% | -4.30% | -5.00% |
| **12530** | **-30.00%** | **-34.50%** | **-6.70%** | **-7.90%** |
| 10740 | -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 17662, adding 150 points contingent: 17812, rounded off to next 100: 17900.
**Historical Standard Deviation is calculated for 1710 days daily rolling NIFTY (Working Days Only) return from 1st Jan'2001 – 31st January 2022.
Investment Value per debenture: 1,25,000/-(Issued at a premium)

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

# Technical Analysis

**NIFTY: MARCH 2023**

**LEVELS TO WATCHOUT FOR: 17800 - 18200 / 17300 – 17100**

The Month of FEB 2023; proved to be fabulous for the traders who desire and love to play on both the sides of market. Our domestic markets provided equal trading opportunity to bulls and bears during the month. Initially; the index NIFTY recovered towards 18000 mark during the first half of the month. Then after; in line with our view; NIFTY failed to clear 18200 level and nosedived to 17350 mark and breached the same. Eventually; the index lost over 2% during the month.

In our previous monthly edition we made it clear that traders should be prepared for deploying longs in the range of 17300 – 17000 if at all it comes. This was because of the FIIs long short ratio in index futures which sneaked below 20%. So in line with that view; initially we witnessed sharp bounce towards 18100 where in NIFTY failed to clear the hurdle of bearish FLAG pattern. Then we observed heavy selling which brought the index back towards 17255. At 17255; we again turned bullish since the long short ratio was again below 14%. Along with the data; NIFTY had a support of falling trend line extension near 17300 mark. After that we witnessed a rally towards 17600 level. From here on we maintain our stance that for the time being any fall towards 17300 or lower levels can be used as a buying opportunity. On the upside; 17800 might be initial hurdle but after that 18200 would be trend decider. Only a move above that would confirm a bottom at recent low. We have been echoing our view that we don't expect any unidirectional move in the markets and hence traders are advised to keep booking their longs near the resistance levels and grad the opportunity to buy at the decisive support levels.

Meanwhile; the NIFTY BANK index too remained volatile during the month but managed to outperform the index during the fall. Initially the index rallied towards 42000 mark but failed to clear the supply zone of 42000 – 42500 and then we witnessed a crack again which dragged the index below 40000 levels. However; the index managed to defend the support of 39400 and then reclaimed 41000 levels. At this juncture; is it trading very much near to the supply zone and hence we are of the opinion that an extension of the ongoing up move would get confirmed only above 42000 mark. In case of a failed attempt to clear this zone; we would witnessed profit booking again in the index but 39400 might be a strong support for the coming weeks.

**BUY BUY - OBEROI REALTY LTD**


**POTENTIAL UPSIDE 10.96%- 14.61%**

- At this juncture; OBEROI REALTY just confirmed a breakout from the falling trend line.
- During the process; the stock has managed to breakout out from the flat could of Ichimoku system.
- The stock has managed to reclaim its 200 DEMA and 200 DSMA on closing basis.
- We are also witnessing a breakout in daily RSI and that indicates strength in upside momentum.

Thus; traders are advised to buy the stock in the range of 895 - 885 with a stop loss of 825 on closing basis for the upside potential target of 987.5 followed by 1020 levels in coming 1 – 3 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

IAF5

*[1] Excluding VC 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

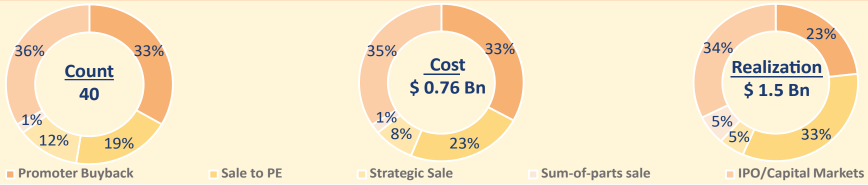
**Access to a large pool of talent and infrastructure**

- 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**
*Exit Strategy : Sum of parts sale*
Investment : Dec-2005
Exit : Feb-2011
**Gross INR MOIC: 8.2x[4]**
**Gross INR IRR: 61.5%[4]**

**GO COLORS**
*Exit Strategy: IPO*
Investment : Jan-2018
Exit: Nov/Dec 21 (Partial)
**Gross INR MOIC : 6x**
**Gross INR IRR: 59%**

**KIMS**
*Exit Strategy : Sale to PE*
Investment : Jun-2014
Exit : Jun-2018
**Gross INR MOIC : 2.8x**
**Gross INR IRR: 29.0%**

**STAR**
*Exit Strategy: Sale to Strategic,PE*
Investment : Mar-2010 (IAF3) / Aug -2016 (IAF4)
Exit : Mar-2019
**Gross INR MOIC :6.2x/3x**
**Gross INR IRR: 25% / 55%**

**WABAG**
*Exit Strategy : IPO*
Investment : Apr-2005
Exit : Jul-2011
**Gross INR MOIC : 25.3x**
**Gross INR IRR: 130%**

*(1) INR Realization represented in USD based on actual exchange rates corresponding to the period of the respective exit transactions 2009 onwards ; (2) Indicates number of exit transactions corresponding to 36 portfolio companies include both fully and partial realized exits; (3) Q2 CY 2009 onwards; "IPO/Capital Markets" realisation includes exits from unlisted companies that were merged/swapped with listed companies; (4) Consolidated MOIC and IRR across two separate exit transactions i.e., RFCL-Vetnex and RFCL*

# 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 | 4.19% | Exited | 3.03x | Sale to strategic/PE |
| GO COLORS | 2018 | 1,000 | Consumer | Growth PE | 13.79%[3] | Partially Exited | 6x-8x | IPO, Capital markets |
| india1 | 2019 | 1,000 | BFSI | Joint Control | 21.48%[4] | 2022-23 | 2.5x-3x | IPO / strategic |
| anthea | 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 | 46.99% | 2024-25 | 5.5x-6x | Sale to strategic/PE |
| DCB BANK | 2018 | 2,398 | BFSI | Growth PIPE | 4.36% | Listed | 2x | Capital markets |
| [illegible] | 2021 | 1,600 | Mfg | Growth PE | 15.9%-24.2% | 2024-25 | 2.5x-3x | IPO |

IAF4 deal log


*[1]Aggregate investments across both vehicles IAF S4 I and DIF S4 US I; [2]Based on current exit expectation except in case of Star Health Insurance which is realized; [3]Invested in CCPS as well as equity; [4] On fully diluted basis prior to ESOP dilution; [5] Excluding CCPS component;*

*Disclaimer: All projections, forecasts or "forward-looking statements" relating to expectations regarding future events or the possible future performance of funds contained herein are those of ICICI Venture and represent ICICI Venture's own assessment and interpretation of information available to it as at the date of this presentation and are subject to change without notice. In particular, no representation or warranty is made that any projection, forecast, calculation, forward-looking statement, assumption or estimate contained in this presentation should or will be achieved. There is a substantial likelihood that at least some, if not all, of the forward-looking statements included in this presentation will prove to be inaccurate, possibly to a significant degree.*

# Proposed key fund terms (India Advantage Fund S5 II)

## Key fund terms*

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

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

ICICI Venture

# iREIF 2

India Real Estate Investment Fund Series 2

Affordable Housing Focused Debt AIF

CONFIDENTIAL, RESTRICTED AND PRIVILEGED 2022

## 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

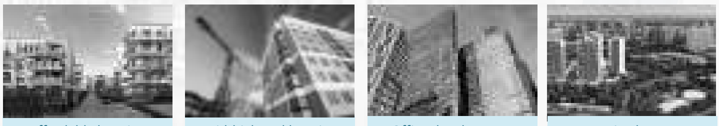
**100+ Investments**
since 2002

**81+ Exits**
since 2002

### ICICI Venture's Business Verticals

| | | Private Equity | Real Estate | Infrastructure | Special Situations |
|---|---|---|---|---|---|
| AUM/A[1] | | $1.9bn[2] | $700mn[2] | $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

1 Excluding VC 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

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## 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 3.76 Bn*[2] | *INR 5.83 Bn* | *INR 10.00 Bn*[3] |
| *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

1 Across IAF III, IAF IV and DIF IV; 2 Includes co-invest capital; 3 Target fund size including green shoe option of upto INR 5.00 Bn; 4 Expected number of deals

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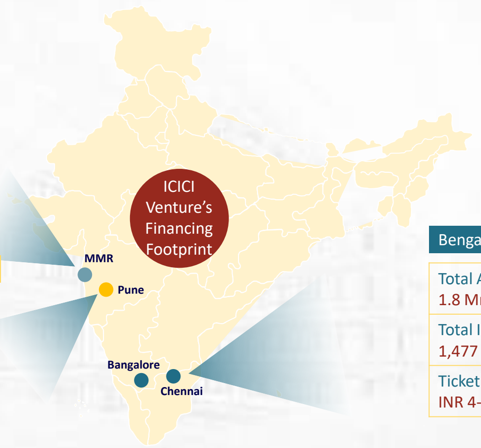
Confidential, Restricted and Privileged

# 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<br>3.2 Mn sft | Arihant Superstructure<br>Mayfair Housing<br>Platinum Homes<br>Suraj Estate<br>Dhamji Shamji |
| Total Inventory<br>4,917 units | |
| Ticket Size<br>INR 3.5-24 Mn | |

**Pune**

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

**Bengaluru & Chennai**

| | |
|---|---|
| Total Area<br>1.8 Mn sft | Mahaveer<br>Prince Foundation<br>LGCL |
| Total Inventory<br>1,477 units | |
| Ticket Size<br>INR 4-13 Mn | |

iREIF



# Our RE debt exit track record

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

| | | | | |
|---|---|---|---|---|
| *Type: Affordable Housing*<br>Investment : Oct 2018<br>Exit : April 2021<br>Gross IRR: 22.5% | *Type: Affordable Housing*<br>Investment : Oct 2019<br>Exit : Oct 2021 (Largely)<br>Gross IRR: 22% | *Type: Housing*<br>Investment : Oct 2013<br>Exit : Sept 2015<br>Gross IRR: 25.2% | *Type: Affordable Housing*<br>Investment : August 2013<br>Exit : Jan 2016<br>Gross IRR: 23.4% | *Type: Affordable Housing*<br>Investment : Oct 2012<br>Exit : Jul 2014<br>Gross IRR: 22.7% |
| *Type: Housing*<br>Investment : Dec 2012<br>Exit : Jul 2015<br>Gross IRR: 22.2% | *Type: Affordable Housing*<br>Investment : Dec 2014<br>Exit : Oct 2016<br>Gross IRR: 21.2% | *Type: Commercial*<br>Investment : Dec 2014<br>Exit : Aug 2016<br>Gross IRR: 21.8% | *Type: Affordable Housing*<br>Investment : Oct 2014<br>Exit : Nov 2016<br>Gross IRR: 20.8% | |

iREIF

*All Gross IRR figures are in INR terms prior to fund level fees, expenses and carried interest/additional returns; pre-tax basis*



# iREIF Portfolio Overview

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

| Portfolio | Entry Year | Investment[1] (INR Mn) | Location | Project Type | Unit Pricing (INR Lacs) | Gross IRR[1] | Exit status |
|---|---|---|---|---|---|---|---|
| | 2018 | 550 | Taloja & Karjat, MMR | Affordable Housing | 18-60 | 22.5%[2] | Exited |
| | 2022 | 450 | Taloja, MMR | Affordable Housing | 27-40 | 18.0%[3] | On schedule |
| | 2019 | 355 | Bhukum, Pune | Affordable Housing | 30-45 | 22.2%[2] | Largely Exited |
| | 2021 | 500 | Kirkitwadi, Pune | Affordable Housing | 35-45 | 19.8%[3] | On schedule |
| | 2019 | 650 | Virar, MMR | Affordable Housing | 35-45 | 18.8%[3] | Partly exited |
| | 2021 | 550 | Andheri, MMR | Affordable Housing | 95-195 | 24.5%[3] | On schedule |
| | 2022 | 150 | Khar,MMR | Housing | 270-470 | 30%[3] | To be disbursed |
| | 2021 | 400 | Mahim, MMR | Affordable Housing | 150-250 | 21%[3] | On schedule |
| | 2022 | 300 | Dadar, MMR | Affordable Housing | 150-250 | 20.1%[3] | On schedule |
| | 2018 | 387 | Hennur Road, Bengaluru | Affordable Housing | 55-60 | 7.2%-13.8%[4] | Behind schedule |
| | 2022 | 500 | Hyderabad | Residential plots | 75-235 | 19.5%[3] | To be disbursed |

*1 All Gross IRR figures are in INR terms prior to fund level fees, expenses and carried interest/additional returns; pre-tax basis; 2 Realized; 3 Estimated based on IC case; 4 Estimated based on expected outcomes of NCLT resolution*
*MMR – Mumbai Metropolitan Region; Affordable Housing as defined under the Ministry of Finance, Government of India notification of 2017*

**iREIF deal log**


iREIF

# Leveraging ICICI Group RE strengths

## MOU with ICICI Bank

ICICI Group

### ICICI Bank CRFG[1]
- A significant player in Indian Construction Financing
- Total exposure of about INR 587.7 billion[2]

### ICICI Bank Home Loans
- Leading player in India
- Loans & Advances of INR 2,355.9 billion[2]

### ICICI HFC
- Developer Loans of INR 2.54 billion[2]
- Mortgage book of INR 145.9 billion[2]

### 01 Key features of MoU
- Access to proprietary deal flow
- Priority partner for potential co-lending transactions
- Access to diligence materials and market insights
- Ability to leverage CRFG & HFC presence across markets in India

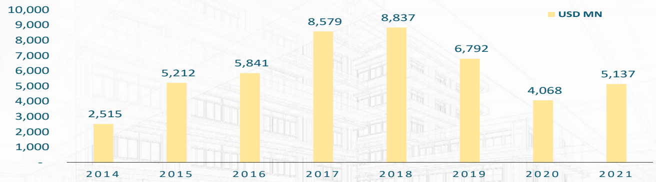
### 02 Benefits of MoU
- Enabling broader financing options for potential iREIF2 developers
- Co-lending with ICICI Bank / ICICI HFC will ensure financial closure
- Enhanced ability to negotiate better terms with the developer

1 Construction & Realty Funding Group; 2 As of March 31, 2022
Source: ICICI Bank Annual Report

iREIF2 16

# Private capital flows to Indian RE sector

## USD 46 Billion has been invested in the Indian RE sector in the 2014-21 period across both debt and equity




- The Indian real estate industry comprises of 4 sub-sectors -housing, retail, hospitality and commercial.
- The growth in this sector is complemented with the growth in economy driven by manufacturing, the corporate environment and the demand for office space as well as urban and semi-urban housing.
- Currently the construction industry ranks 3rd amongst the 14 major sectors which contribute in terms of direct, indirect and induced effects to the economy.
- The real estate industry is the 3rd contributor to the GDP currently standing at 7% and by 2030 is likely to attain 2nd position with an estimated contribution of 13%.
- Housing comprises 80% of the real estate market in India. This percentage includes the overall industry including both urban, semi urban and rural markets.

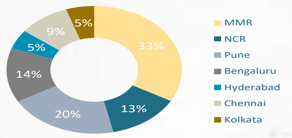
Source – Knight Frank Research, Venture Intelligence

iREIF2 21

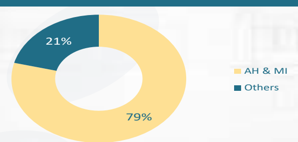
# iREIF2 target market snapshot

## MMR and Pune account for 53% of Sales

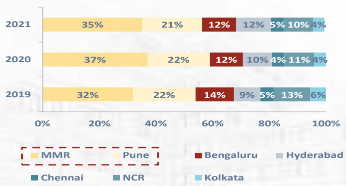
### % of Overall Sales from 2015-2021




### % of Sales in Mid-income & Affordable




### City wise residential unit sales




- ~56 % of residential units sold in 2021 are in MMR and Pune
- Hyderabad has highest increase in volume

### Affordable & Mid Income continues to drive overall volume


- ~67 % of residential units sold in CY2021 have been in below INR 7.5 mn unit price

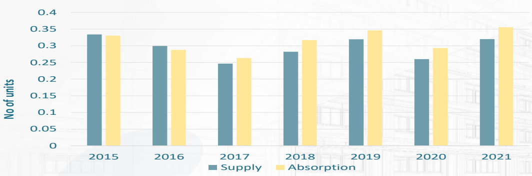
Source: PropEquity. CY 2020. Data for number of units sold

iREIF2 23

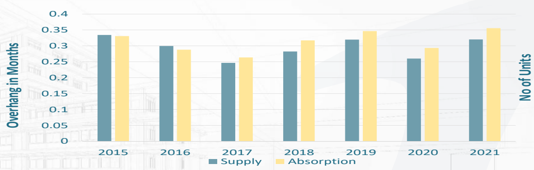
# Covid impact

## 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

Source: Propequity

iREIF2 26

## 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
- Typically INR 400-600 Mn per deal through interest bearing NCDs
- Focus on Tier 1-2 developers in chosen micro-markets; MOUs executed with select iREIF funded & other leading developers
- Target Gross INR IRR of 17%-22%
- Typical Security cover of 1.5x on a post tax basis; Active portfolio monitoring
- Tap synergies across ICICI Group
- "No Go": Pure Equity risk, pure-play commercial, early stage land aggregation risk
- India focused; View on India 2030

iREIF2

*Affordable Housing definition as per Ministry of Finance notification of April 2017 (Min. 50% project FSI in Max. 60 sqm. (~645 sft) Carpet area houses)

iREIF2

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## iREIF2 Strategy

ICICI Venture

**Preferred Stage of Investments**

| | Land Aggregation | Land Acquisition/ Pre-approval stage | Under Construction | Completed Projects |
|---|---|---|---|---|
| Overall risk | | | | |
| Cash Flow Visibility | | | | |
| Expected Gross IRR[1] | >23% | ~19% - 21% | ~17% - 18% | ~15% - 16% |
| Characteristics | Long tenure, significant approvals risk | Medium tenure, approval, and execution risk | Short – Medium tenure, lower execution risk, minimal approval risk | No execution risk, possible sale/ vacancy risk |

***Locations***
MMR, Pune, Bangalore, Chennai, Hyderabad;
NCR, Kolkata, Select Tier II cities on opportunistic basis

***Portfolio***
Deal sizes of INR 400-600 Mn (about 10-12 deals)

***Maturity***
Typical maturity period of 36-42 months

**Investment Structures**

**Debt Investments**
- Regular coupon servicing
- Indicative IRR of ~17-18%

**Differential Coupon Investments**
- Regular servicing of lower coupon initially
- Higher coupon towards the end of the investment to meet the investor's required rate of return
- Indicative return of ~18-20%

**Coupon + upside Investments**
- Regular servicing of lower coupon initially
- Investor's required rate of return to be achieved by linking returns to price appreciation/ performance of the project
- Indicative Return of ~20-22%

iREIF2

1 All Gross IRR figures are in INR terms prior to fund level fees, expenses and carried interest/additional returns; pre-tax basis

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## iREIF2 Process

ICICI Venture

**ICICI Venture leverages its well-established process for implementing iREIF2 investment strategy**

**Deal sourcing**
- AIF Manager / Team
- ICICI Bank
- ICICI HFC Prior investees
- Group references
- Investor references
- Intermediaries

**Rigorous due diligence**
- Financial DD
- Legal DD
- Technical DD
- Promoter DD (select)

**Distinctive and disciplined structuring and rights**
- Leverage distinctive structuring experience to mitigate downside risk and align objectives
- Negotiate appropriate rights including significant security package per transaction

**Project Management**
- Regular monitoring
- Marketing Strategy
- Financial Management
- Strategic alliances
- Financial Closure

**Target Returns within Targeted Holding Period**
- Focus on execution excellence
- Exit from project cashflows/ refinancing

iREIF2

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## iREIF2 key terms*

ICICI Venture

| | |
|---|---|
| **Target size** | INR 10.00 billion including green shoe option of upto INR 5.00 billion |
| **Fund** | • Organized as a close-ended , contributory , determinate trust, under registration with SEBI as a Category II AIF<br>• ICICI Venture is Settlor, AIF Sponsor and Investment Manager of the AIF |
| **Minimum Capital Commitment** | INR 10 Million (or as per extant SEBI AIF Regulations) |
| **Final Closing** | By or before 18 months from First Closing (excluding extension, if any) |
| **Investment period** | Starts from First Closing and ends 2 years from Final Closing (excluding extensions, if any) |
| **Fund Term** | Starts from First Closing and ends 5 years from Final Closing (excluding extensions, if any) |
| **Management Fee (net of GST)** | • 1.25% p.a. (Capital Commitment equal to or over INR 100 Mn)<br>• 1.40% p.a. (Capital Commitment equal to or over INR 50 Mn but less than INR 100 Mn)<br>• 1.50% p.a. (Capital Commitment equal to or over INR 10 Mn but less than INR 50 Mn)<br>• Fee to be charged on Capital Commitment during first year after First Closing ; net invested capital thereafter |
| **Set up Expenses and Operating expenses** | • Set up Expenses and Operating Expenses shall be charged at actuals<br>• Subject to a cap of 0.50% per annum (net of GST) as percentage of aggregate capital commitments received by the Fund at it's Final Closing, as calculated on an annualized average basis over the Fund's Term or Extended Term as maybe applicable, excluding one-time acquisition and divestment expenses incurred by the Fund<br>• All Fund Expenses will be allocated to and be borne by all Unitholders holding all classes of Units and will form a part of the total Capital Commitment of each Unitholder |
| **Preferred Rate of Return** | 12% IRR (INR basis , pre-tax) with full catch up |
| **Additional Return** | 15% (whole fund basis) |
| **Others** | Other customary best in class terms on governance, etc |

iREIF2

* Subject to legal and tax advice, SEBI AIF Regulations and approvals ; please refer to the Private Placement Memorandum for further details

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Explore the

# Hidden Treasure of Unlisted Shares*

With

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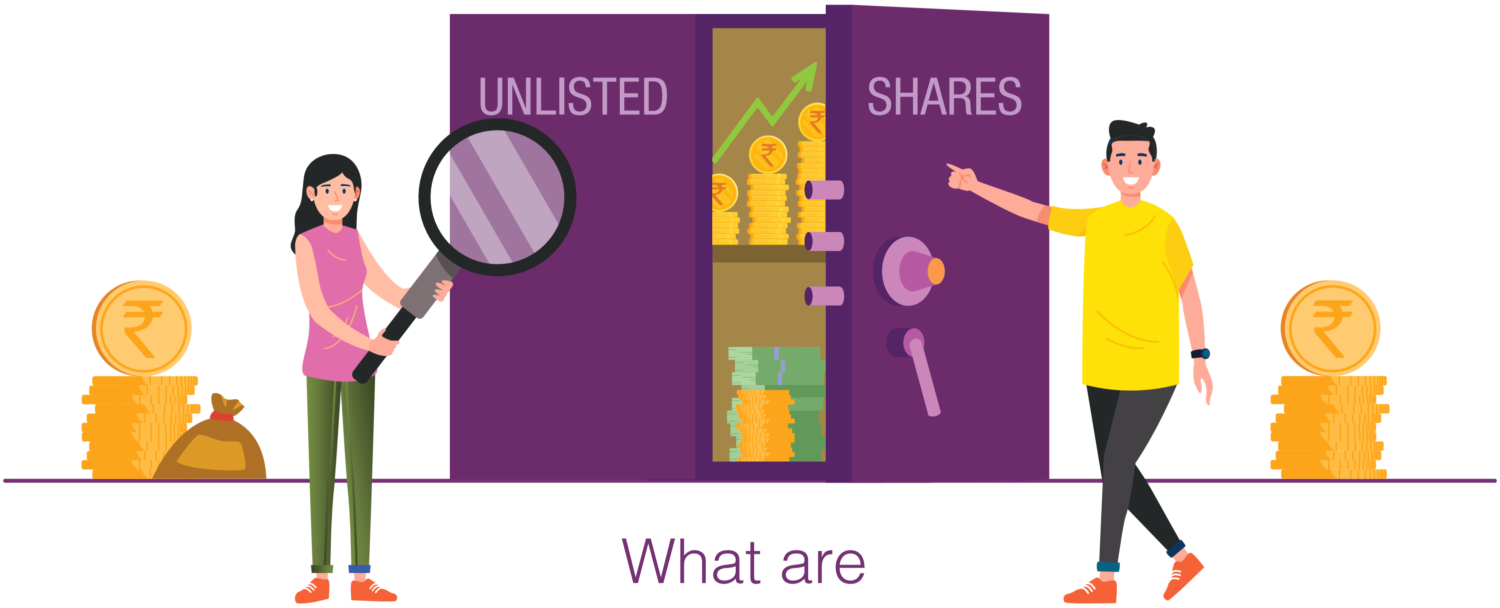
*Investment in Unlisted Shares**




## 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.

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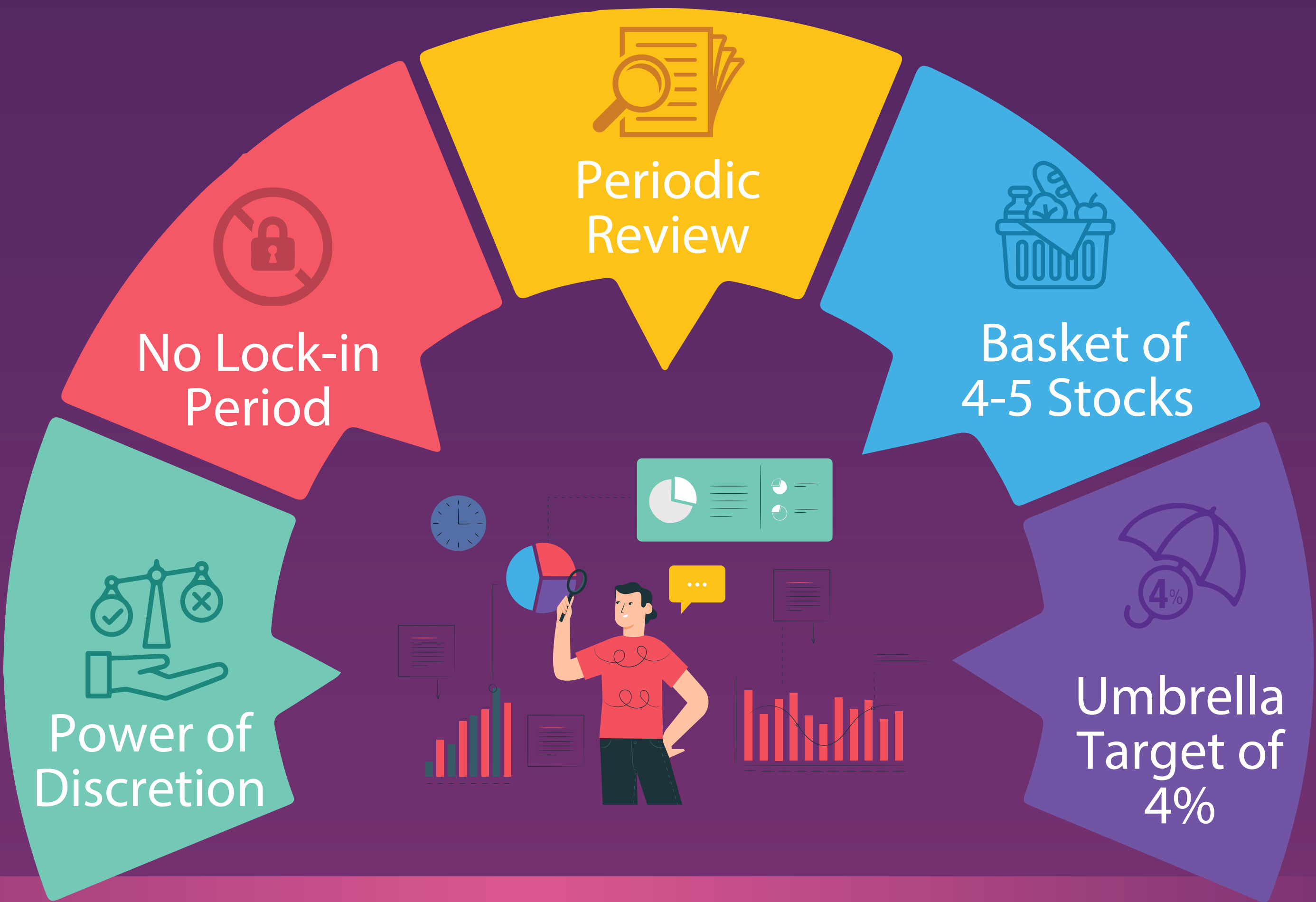
ANANDRATHI PRIVATE CLIENT GROUP EQUITY PCG

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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FINANCIAL
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April 2023

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INVESTMENT SERVICES

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