ANANDRATHI
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EQUITY

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Index

01 ▸ PCG Communique
02 ▸ Market Commentary
04 ▸ Equity Outlook
05 ▸ Debt Outlook
06 ▸ Commodities Outlook
09 ▸ Currency Outlook
10 ▸ MNC Portfolio PMS
11 ▸ Impress PMS
12 ▸ Decennium Opportunity
13 ▸ Technical Analysis
15 ▸ Fixed Income Services
16 ▸ Purnartha
17 ▸ Marcellus - Consistant Compounders
19 ▸ ICICI Venture IAF5
21 ▸ Equity Unicorn - Unlisted Shares

PCG Communique

From the Desk of the PCG Head

Rajesh Kumar Jain

This year was a tough time for the Equity Market where the market has given a negative return of -1.70% in Jan despite corporate results being as per expectation. FII has been continuously selling in the market to a tune of INR 41,346CR and DII buying to a tune of INR 21,928CR to support the market. Due to Fed tapering and increase in interest rate, faster & sooner than anticipated, markets are bound to be volatile and FIIs will be continuous sellers going forward.

US major indices such as Dow Jones Industrial Average and Nasdaq after the recent fall are trading below their 200 DMA for the first time since March 2020 and hence the bullish momentum appears to have dissipated in the global markets over the near term.

Oil is a very big concern going forward for the market, as most of the analysts are concluding that Crude will be trading @ $100-$120, which will create a dampening in the world economy as inflation will be in the unchartered territory and will make World Central bank rush to increase the rates which are averse for the Equity market. The bond yields rising in the US and India indicate that the rise in interest rates will happen sooner than earlier. The only new entrant is the war tension brewing on the Ukraine borders.

I firmly believe the market is going to be tough going forward and money-making is going to be difficult. This year I believe that the market will be in a consolidation phase. There can be a lot of time correction in the market rather than much of a price correction. Ideally, the PE will contract and the Price which is a numerator will consolidate whereas the numerator which is EPS will keep slowly inching up. So ideally the current PE which is @ 23.56 might come down to 19 with the time correction and Price not inching up much at an index level. There will be the sectorial rotation and even in the sectorial rotation, it is not that all the companies within the sector will be participating in the run-up but very selected companies will participate with the sector rally. It is also important to see with the rising inflation how companies will be successful in passing the rise in input cost to the end consumer and how much the operating margin will take a hit due to holding on to the prices and not passing the cost inflation completely to the end consumers/user.

I believe making even 12% on the overall portfolio will be challenging this year. Avoid Mid Cap & Small cap for the time and stay with the Large Caps companies in your portfolio. Have conviction in your top picks and bet on companies with good management that have a strategy in place to increase their market share. This will be the year when the men will be separated from the boys. Now is the time when the odds are in your favor to pick quality companies at reasonable prices on every dip.

Although the earnings season is in full swing and it looks like, it is the earnings that will arrest the market fall if any from here on. The earnings have been good and the management commentary has been optimistic though the IT sector earnings' reports have not been well-received by the markets.

The key to outperformance in 2022 will be to get the sectoral allocation and preferences right. Keep looking for an opportunity in the market. Short-term traders can take advantage of the swing in the market. Investors should look at new-age business. Businesses which will be the future like EV, clean energy, digital business, AI, Robotics, industry which are going through the revolution, CAPEX related, company which will have the benefit of China+1 strategy. Also, look for companies that can transfer the rise in input cost to the end customer with the volume uptick. Companies with large market shares can pass on the rise in input costs to the end customer. On dips, one should look at stock from the IT, Power, Bank, Chemicals, EV space, etc for their long-term holding. The few stocks which we like the most are Infosys, Titan, Asian Paint, Bajaj Finance, Minda Industries, Pidilite, ICICI Bank, AU Small Bank Finance, Tata Power.

Market Commentary

The Nifty index ended the January month at 17,340 with a negative return of 0.1%. However, Sensex ended the December month at 58,014 with a negative return of 0.4%.

Markets started the week with jubilation on the back of better than expected macroeconomic data. Markets extended gains taking support from government data showing that India's exports surged 37 percent on an annual basis to $37.29 billion in December 2021, the highest-ever monthly figure. However, markets witnessed some profit booking on the penultimate day of the week as rising Coronavirus cases in the country sparked fears of renewed curbs to contain the spread of the virus which may impact the nascent economic growth in the country. Buying on the final day of trade ensured that key gauges will go with gains of over 2.5 percent each as traders remained hopeful of good corporate earnings starting from next week.

Sentiments remained upbeat since the beginning of the week as the National Statistical Office (NSO) in its first advance estimate indicated that the Indian economy remains on track to regain its position as the world's fastest-growing major economy and put the GDP expansion at a tempered 9.2 percent this fiscal. Traders continued to buy fundamental stocks taking support with the World Bank's statement that the government's Production-Linked Incentive (PLI) Scheme will likely help India's economy grow at 8.7% in the next financial year 2022-23, beating emerging market peers including China. The final day witnessed some consolidation as traders remained on edge with United Nations' report that India is forecast to grow at 6.5 percent in the fiscal year 2022, a decline from the 8.4 percent GDP estimate in a previous financial year, though a rise in India's merchandise exports and ease in WPI inflation helped the market to cap downside.

Markets made a cautious start as traders got anxious with the former World Bank Chief Economist Kaushik Basu's statement that India's overall macroeconomic situation is in a recovery mode but the growth is concentrated at the top end, which is a worrying trend. Some pessimism also came as the Engineering Export Promotion Council of India has expressed concern that the spread of Omicron, the new variant of coronavirus, may once again disrupt the global supply chain, which could lead to a slowdown in trading activities. Afterward, markets started moving southward and were never seen in recovering throughout the week with bears dominating bulls completely. Selling intensified after Icra's statement that while there is some evidence of the economic recovery becoming broad-based in the third quarter of fiscal 2022, it is yet to attain the durability being sought by the Monetary Policy Committee (MPC) as a precursor to policy transmission.

A depreciating rupee and persistent foreign fund outflows further weighed on sentiment. Markets started the holiday truncated week on a pessimistic note after former RBI Governor Raghuram Rajan said the Indian economy has some bright spots and several very dark stains and the government should target its spending carefully so that there are no huge deficits. Sentiments remained down-beat with the Ministry of Statistics and Programme Implementation in its latest report has said that as many as 445 infrastructure projects, each entailing investment of Rs 150 crore or more, have been hit by cost overruns totaling more than Rs 4.4 lakh crore. On the very next day, key gauges witnessed some recovery as traders took some support from former Niti Aayog Vice-Chairman Arvind Panagariya's statement that the Indian economy has recovered 'handsomely' from the pandemic-induced disruptions while expressing hope that the recovery will be sustained and the growth rate of 7 to 8 percent will be restored. On the final day of the week, market participants remained on the sidelines ahead of Union Budget 2022-23 to be presented by Union Finance and Corporate Affairs Minister Nirmala Sitharaman on February 1, 2022, in paperless form, for further cues.

In terms of economic performance, the IHS Markit India Manufacturing Purchasing Managers' Index (PMI) was at 54.0 in January, down from 55.5 in December and signaling the weakest improvement in the health of the sector since last September. Still, the headline figure remained above its long-run average of 53.6.

The IHS Markit India Services PMI posted 51.5 in January, indicating a further increase in output. However, falling from 55.5 in December, the headline figure pointed to the slowest rate of expansion in the current six-month sequence of growth. The combined Index of Eight Core Industries stood at 141.3 in December 2021 which increased by 3.8% (provisional) as compared to the Index of December 2020. Coal, Natural Gas, Refinery Products, Fertilizers, Cement & Electricity recorded growth whereas Steel and Crude Oil recorded negative growth.

India's retail inflation, measured by CPI rose to a five-month high at 5.59 % in December as compared to 4.91% in the previous month.

Regarding export-import activity, India's exports grew by 23.69% year over year at $34.06 billion in January while imports increased by 23.74% year over year to $52.01 billion. The Goods and Services Tax (GST) collection in January stood at ₹1,40,986 crore.

Also, India's foreign exchange reserves decreased by $678 million to $634.29 billion in the week ended January 21. Foreign currency assets (FCAs), a key component of the overall reserves, decreased by $1155 million. Additionally, Foreign Portfolio Investors (FPIs) were net sellers of Rs. 28,526 crores in January, driven by net outflows in equity of Rs. 33,303 crore.

The U.S. markets ended lower during the passing week as the Federal Reserve indicated that it plans to begin raising interest rates soon. The Fed left interest rates unchanged at near-zero levels as widely expected but said the Federal Open Market Committee (FOMC) expects it will soon be appropriate to raise the target range for the federal funds rate. To combat the economic impact of the coronavirus pandemic, the Fed has left interest rates at zero to 0.25 percent since March of 2020. The Fed previously pledged to leave interest rates unchanged until labor market conditions have reached levels consistent with the FOMC's assessments of maximum employment. The central bank also said it would further reduce the pace of its bond purchases to $30 billion per month beginning in February, with the Fed saying it expects to end its asset purchase program by early March. Pending home sales in the U.S. tumbled by much more than expected in December, according to a report released by the National Association of Realtors (NAR). NAR said its pending home sales index plunged by 3.8 percent to 117.7 in December after sinking by 2.3 percent to a downwardly revised 122.3 in November.

In the labor market, first-time claims for U.S. unemployment benefits decreased in the week ended January 22, according to a report released by the Labor Department. The report said initial jobless claims moved lower to 260,000, a decrease of 30,000 from the previous week's revised level of 290,000. The street had expected jobless claims to rise to 260,000 from 290,000 revised levels reported for the previous week.

Meanwhile, IHS Markit indicated a relatively subdued improvement in operating conditions across the US manufacturing sector. IHS Markit U.S. Manufacturing PMI 55.5 in January, down from 57.7 in December, but higher than the earlier released 'flash' estimate of 55.0. The overall upturn was the slowest seen for 15 months and muted in the context of the substantial expansions seen in 2021.

The Eurozone manufacturing sector data showed the eurozone manufacturing sector regaining some momentum at the beginning of 2022, with production, new orders, and employment all registering faster increases. The final reading of the IHS Markit Eurozone Manufacturing PMI increased to 58.7 in January, from 58 in December. As per the report of the global data firm, "Eurozone manufacturers appear to be weathering the Omicron storm better than prior COVID-19 waves so far, with firms reporting the largest production and order book improvements for four months in January. Prospects have also brightened, with a further easing in the number of supply chain delays playing a key role in prompting producers to revise up their expectations for growth in the coming year to the highest since last June."

The final au Jibun Bank Manufacturing PMI dipped rose from 54.3 in December to 55.4 in January, signaling a sharp improvement in the health of the sector.

Regarding China, The National Bureau of Statistics reported that the official manufacturing PMI for January decreased to 50.1 in January from 50.3 in December. The country's non-manufacturing PMI, which gauges sentiment in the services and construction sectors, declined to a five-month low of 51.1 in January from 52.7 in December.

Going Ahead

Indian economy is doing reasonably well. GDP is likely to increase by 9.2% during the current financial year and 8 to 8.5% in the next financial year. government revenues are increasing at a fast pace and the government is now accelerating its infrastructural development. With the very high liquidity in the market, we believe the growth of the economy, as well as the corporate sector, is likely to remain strong. On the other hand, the international economy is doing well but inflation is reaching a very high level and there is likely a significant increase in interest rates of Government securities. US Federal Reserve has already announced tightening monetary policies and increasing the interest rate by 75 basis points to 100 basis points during the current year. With the interconnected financial markets, global equity market correction is taking place and there is a significant outflow of foreign currencies during the last 5-6 months. However, Indian Institutions like Mutual Funds and retail individual investors continue to buy stocks and therefore the market levels have seen only reasonable corrections.

The combination of strong fundamentals, adequate liquidity in the Indian equity market, and fair valuation suggests that even if the Indian equity market corrects in line with the global markets, the bounce back in the Indian equity market is likely to be much faster and more pronounced

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

Equity Outlook

The Indian equity markets had a good start to the year in the first two weeks. The market barometer indices Nifty 50 and Sensex rallied ~ 5% each in the first half of the month. But the gains were wiped away due to global cues such as rising crude oil prices, anticipated US Fed rate-hikes, and rising yields. The major indices ended the month down 0.50% over the previous month. Mid-cap and small-cap stocks also took the beating in the recent market correction. The NSE Mid-cap 100 index fell 0.6% while the NSE Small-cap 100 was down 1.5%. Among sectors, some rallied despite the market downtrend such as Power, Banks, Oil & Gas, Auto, and Infrastructure. Whereas sectors like Information Technology, Pharmaceuticals, Consumer Goods faced a correction.

Globally, almost all markets ended in red except Brazil (6.8%), Singapore (4%), the Philippines (3.4%), and a few others. Among the most battered were South Korea, Russia, China, and the United States mainly due to a rise in Omicron infections, rise in bond yields, and geopolitical tensions. A sharp rise in US Treasury yields led to higher selling by FIIs, with net outflows crossing Rs41,000 crores, higher than the last three months' average outflow of Rs. 33,656 crores. Support from DIIs that had kept markets buoyant had also weakened slightly, with net inflows of Rs. 21,928 crores, lower than the Rs. 31,231 crores in December.

The Union Budget provided a much-needed thrust to infrastructure by increasing Capex (Capital Expenditure) across segments, re-iterating Govt.'s emphasis on structural reforms. The budget resonates with our view mentioned in Outlook 2022*, where we highlighted that the domestic economy is expected to do well due to Govt. efforts to boost Growth & strong fundamentals. We believe Indian markets performance will be influenced by the following factors: 1. Global cues 2. Earnings trajectory and 3. Crude oil prices.

Other key developments include:

(1) Government acquired a total of 45.3% stake in two telecom companies

(2) The US Fed indicated a faster policy normalization, with a possible rate hike announcement in March

(3) India CPI rose 5.59% in December, Core inflation up 6.1% Y-o-Y

Our view going forward:

- The long-term view on equity remains positive, however, the medium-term view has turned cautious due to valuations moving higher
- Broad market valuations are not cheap
- There are few pockets across sectors that are still reasonably valued
- We remain positive on sectors/themes like Oil & Gas, Construction, Banks, Auto, Pharma, and PSU companies, where the valuation, earnings, or dividend yield remains attractive
- In terms of a trigger, we would continue to monitor the US 10 Year Treasury yield and US Fed roadmap for the withdrawal of stimulus
- Sentiments remain high and in certain areas appear to be euphoric

Debt Outlook

G-sec yields continued to rise in January. The benchmark 10-year G-sec yield peaked at 6.80% on Jan 28, 2022, and ended the month at 6.68% from 6.45% in the previous month. Yields in the shorter end of the duration were less affected with the 2-year G-sec yield closing at 5.01%, leading to expansion in term spreads. High-rated corporate bonds also saw an uptick in long-term bond yields. The 10-year AAA-rated bond's yield closed at 7.20% on Jan 31, 2021, from 6.96% in the previous month. Yields on spread assets surged as well.

The money market saw some tightness ahead of the GST outgo that increased demand for liquidity and caused overnight yields to rise. Call money rates hit 4%, tri-party repo rates also surged to 4.2% from their usual range of 3%-3.30%. However, the spike in yields was short-lived as the RBI injected the needed liquidity through repo auctions. During the month, the RBI continued to absorb excess liquidity in the system through the preferred variable rate reverse repo tool, offering up to 3.99% to banks for parking excess reserves. The RBI auctioned Rs.8,000 crore of G-sec floating-rate bonds and Rs.88,000 crore of fixed-rate G-sec bonds. The auctions saw the devolvement of Rs14,868 crore worth of bonds onto primary dealers, which put further pressure on yields. State Governments also raised ~Rs80,000 crore through the auction of State Development Loans. Headline consumer prices continued to soar, rising 5.6% year-on-year (YoY) in December 2021 due to elevated prices for fuel & light and Clothing & footwear. Core inflation remained elevated at 6.1% YoY.

A rise in yields has set off much of the impact from high inflation. However, the yield curve has steepened in the last month, with the shorter end of the curve still below the desired level. A changing macro-environment and monetary policy warrants more active management of a fixed-income portfolio that continually balances duration and accrual. As communicated earlier, the above-mentioned strategy would provide better accrual (an active strategy that may take advantage of higher term premium) and would help in mitigating mark-to-market impact (active strategy of having adequate short-duration instruments). It may be an opportune time to invest in a floating-rate bond in this interest rate scenario to hedge interest rate volatility.

In the current year, we recommend the following strategies: Accrual Strategy and Active Duration strategy. Accrual strategy due to high spread premium which is still prevalent between the spread assets and AAA & Money Market Instruments, as going forward capital appreciation strategy may take a back seat due to limited rate cuts. Term premiums (spread between longer and shorter end of the yield curve) remain one of the highest seen historically, because of which active duration strategy is recommended to benefit from the high term premium. In our portfolios, we may follow the barbell approach i.e having high exposure to extreme short-end instruments to protect the portfolio from interest rate movements and high exposure to long-end instruments to benefit from higher carry.

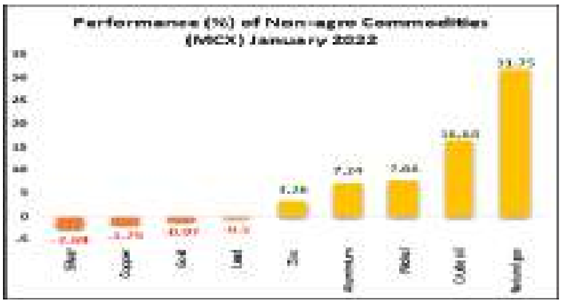
Focused Equity Mutual Funds and Returns				
Large Cap	**1 Years**	**3 Years**	**5 Years**	**Since Inception**
Mirae Asset Large Cap Fund	28.34	17.72	16.25	16.03
Canara Rebeco Bluechip Fund	26.65	20.88	17.65	13.21
Franklin India Bluechip Fund	29.48	16.73	12.76	16.67
Large & Midcap				
Kotak Equity Opportunities Fund	32.12	20.65	15.76	18.63
Flexi Cap				
Canara Robeco Flexi Cap Fund	33.89	21.53	18.63	18.51
Parag Parikh Flexi Cap Fund	38.74	27.96	21.57	20.20
HDFC Flexi Cap Fund	41.88	17.44	15.07	18.61
Midcap Fund				
Kotak Emerging Equity Fund	43.91	26.33	17.84	14.22
DSP Midcap Reg Gr	28.56	21.71	15.10	15.59
Focused Fund				
SBI Focused Equity Fund	37.77	22.60	18.90	19.87
ICICI Pru Focused Equity Fund	36.80	20.45	14.78	13.45
ELSS				
Aditya Birla SL Tax Relief '96 Fund	14.74	10.86	11.85	10.71
Axis Long Term Equity Fund	24.93	19.85	17.03	17.44
Mirae Asset Tax Saver Fund	35.03	23.39	20.45	20.42

Source: Anand Rathi Internal Research.

Note: Such representations are not indicative of future returns.

Commodities Outlook

Gold declined amid a hawkish tilt by the Fed



(Source: Bloomberg)

A hawkish tilt from the Fed shook the bullion market, with the yellow metal wiping out the gains it had managed to eke out for 2022 as the dollar and bond yields rose. An end to ultra-easy monetary policy means bullion will lose a key pillar of support that had helped push it to a record high earlier in the pandemic. One possible source of help for the metal: a raft of important economic reports set to hit in February, including consumer price data in Europe and factory reports in the U.S. Spot gold dropped by more than 2% to $ 1,788.6 an ounce and back home, MCX Gold February future declined by 435 points or 0.9% to Rs. 47,685 pr 10 gram.

The dollar index held above 97 after hitting an 18-month high of 97.44 in the last week of January, as investors braced for upcoming interest rate hikes from the Federal Reserve. The US central bank indicated that it would likely hike interest rates in March and begin reducing its balance sheet soon after to combat inflation, with markets pricing in five quarter-point rate hikes this year.

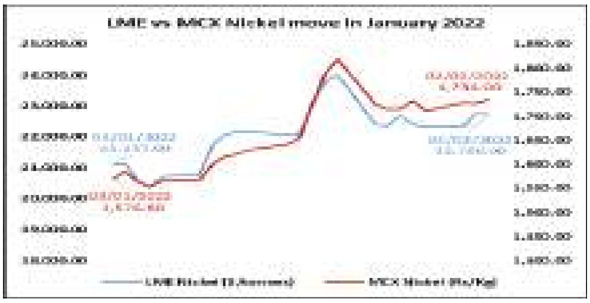
Reinforcing this view, data showed that the US economy grew much more than expected at 6.9% in the fourth quarter. The dollar was also lifted by investors seeking safety amid a selloff in riskier assets as global equity benchmarks head for their worst month since the start of the pandemic.

Spot silver, on the other hand, has dropped to $ 22.33 an ounce, down by 4.16% and MCX Silver March future has gone down to Rs. 61,030 per kg, down by 2.6% as the sentiment was weak in the international market. The metal has been recently driven by a combination of profit-taking after reaching recent highs and concerns on the next steps of the US central bank as rates hikes raise the opportunity cost of holding the bullion.

The outlook is bearish after Fed Chair Jerome Powell highlighted the central bank's aggressive stance on rates and left little doubt about policy makers' intentions, there may be scope for further declines in the precious metals. Robust U.S. economic data strengthened the case for interest rate hikes by the Federal Reserve in March. MCX Gold has been trading in a tight range from Rs. 47,500 per 10 gram to Rs. 48,300 per 10 grams for the last couple of months. We expect MCX Gold to decline to Rs. 47,000 – 46,800 per 10 gram nonetheless, we also expect retail demand to come into the picture around these levels and support the prices. Silver, which enjoys a doubt hat, partly industrial metal and partly precious metal, may see a dip towards Rs. 60,000 per kg.

Nickel rose on EV buzz; Aluminium climbs higher amid supply risks

The topmost appreciated commodity was nickel as it appreciated by 7.66% as LME nickel reached $24,000 a tonne for the first time in more than a decade. The supplies have dwindled amid a global recovery from the pandemic. The nickel market reached its tightest since 2007 after a plunge in exchange stockpiles, which prompted closer monitoring from the bourse.



Nickel extended a rally to the highest in more than a decade and copper climbed as prospects for electric vehicle demand and supply threats fuelled concerns about deficits. Tesla Inc. moved to secure future supplies from Talon Metals Corp., adding impetus to gains built on prospects for rising EV demand. Also, major supplier Indonesia said it's considering a progressive export tax on nickel pig iron and ferronickel, which could start this year.

Nickel jumped further as Chinese lenders lowered borrowing costs for a second straight month after the central bank cut policy loan rates and pledged more easing to spur the economy, which is under pressure from an embattled property sector, a pillar of metals demand.

The outlook is bullish in MCX Nickel. The turmoil in nickel is the latest example of acute supply stress in global metals markets and represents the third time in 12 months that the LME has stepped in to increase monitoring. The last time nickel inventories tracked by the LME reached current critically low levels was in 2019 when the bourse launched a market-conduct inquiry after top stainless steelmaker Tsingshan Holding Group Co. sparked controversy by withdrawing large amounts of stocks. The premiums for spot contracts now are even steeper, suggesting the strain on buyers is more acute this time around. MCX Nickel February may reach 1,850 per kg.

LME Aluminium held near a three-month high above $3,000 a tonne as traders weighed supply risks from a potential Russian invasion of Ukraine while waiting for the Federal Reserve's first policy-setting meeting of the year. The metal on the MCX, rose as much as 7.24% in January, but pared gains as the risk of war in Ukraine continued to dominate the outlook.

Russia is a major producer of aluminum and investors are getting twitchy that exports from the country could be hit by supply-chain disruptions or sanctions in the event of military action.

The metal has rallied about 19% since mid-December as China eased monetary policy and European smelters produced less due to energy shortages. Still, demand concerns are mounting with the Fed expected to signal an interest-rate lift-off from March. That could hamper the consumption of aluminum, which is used across the transport, construction, and packaging sectors.

According to the World Bureau of Metal Statistics, report dated 19th January 2022, the market balance for primary aluminum for the period of January to November 2021 was a deficit of 1477,000 tonnes which follows a surplus of 1,272,000 tonnes recorded for the whole of 2020. We continue to remain bullish on Aluminium as soaring power costs from the European energy crisis force producers to cut output in the region. Chinese smelters, which produce about half of the world's primary aluminum, are also expected to curtail output as Beijing is increasingly focused on climate change and turning around its energy economy. MCX Aluminium may rise to Rs. 255 per kg.

China will return from the New Year holiday from 8th February and we expect slow and steady buying to emerge from the top consumer of the base metals then. Industrial commodities like copper, nickel, aluminum, and silver may rally sharply later in the months.

Black Gold boosted by geopolitical tensions amid tight supply

WTI Crude saw the second-biggest January gain in at least 30 years after crude futures rallied 17% in January to close at $88.15 per bbl. The black gold witnessed a one-sided rally without a turnback, owing to multiple factors from geopolitical tensions, lower inventories and robust demand outpaced fresh supply. MCX Crude February futures closed at Rs.6,560 per bbl in tandem with the global benchmark.

Earlier in January, prices were underpinned after a deep freeze in Canada and the Northern US disrupted oil flows and concerns emerged over a potential disruption in Kazakhstan. Along with that, production in OPEC member Libya was down around 40% amid militia unrest, and supply concerns were further boosted after a key pipeline running from Iraq to Turkey was hit by an explosion.

The later focus shifted towards geopolitical tensions in Eastern Europe and the Middle East. Tensions between Ukraine and Russia are rising and keep the prices buoyed and NATO said last week it was putting forces on standby and reinforcing Eastern Europe with more ships and fighter jets. Meanwhile, Joe Biden warned he would consider personally sanctioning Vladimir Putin if he orders an invasion of Ukraine. Oil prices will rise sharply in case the world's third-largest producer faced any sanctions. The market is also on alert over the Middle East situation after attacks on the United Arab Emirates by Yemen's Houthi group. The United Arab Emirates intercepted a ballistic missile fired by Yemeni fighters during a visit by Israel's president, the third attack in a month on the Middle East's financial hub.

Meanwhile, US EIA Crude stocks fell by 1.046 million barrels in the week ended January 28th, the first decline in three weeks, and compared to forecasts of a 1.525 million rise, data from the EIA showed. Even though OPEC+ is discussing a nominal increase of 400,000 barrels per day in every meeting, the group has been struggling to deliver as countries such as Angola, Malaysia and Sudan struggle to increase output. Doubts persist over whether the group will be able to increase production, struggling to pump at their allowed capacities due to underinvestment and outages.

US Natural Gas futures have been very volatile in January and rose more than 30% in the last week of trading, after a blizzard swept across the Northeast over the weekend, boosting demand for the heating and power plant fuel. Boston saw a daily snow record, and the storm dumped more than 8 inches in Central Park. Colder than normal weather is expected across most of the Central and Eastern U.S. through the first week of February, according to the National Oceanic and Atmospheric Administration. Meanwhile, demand for US exports from Asia and Europe remains strong keeping export plants working at new record levels in January. MCX Natural Gas February futures rose by 36.5% in January and closed at Rs.364.3 per MMBtu.

Outlook

Oil prices are likely to gain further towards 6,800 per bbl in February on concerns over tight supply and energy disruptions if Russia invades Ukraine. If Russia invades Ukraine, in the worst-case scenario, that would result in a sharp rally in Crude and Natural Gas prices. Meanwhile, OPEC+ agreed to increase oil production by 400,000 bps in March, in line with market forecasts, but traders wonder if the group will be able to meet its production targets. In January, crude output was raised by 210,000 additional barrels per day only instead of the 400,000 BPD that the group agreed to. On the demand side, China's crude oil imports could rebound by 6-7% this year as buyers step up purchases for new refining units and replenish low inventories, according to a Reuters report. The major risk to the outlook is supply additions by Iran after the nation's Oil Minister Javad Owji said that "Iran is ready to return to the oil market as quickly as possible."

Currency Outlook

Rupee poised for a weaker February after sluggish January

(Source: Bloomberg)

Indian rupee spot depreciated by 0.38% or 28 paise in January and closed at 74.62, amid elevated crude prices, weakness in domestic equities, continuous selling by FIIs, and a widening trade gap. An initial spike in Omicron cases and a rally in the dollar also weighed on the domestic currency.

January saw huge selling by FII's in the capital markets and net outflow for the month stands at Rs.28,526 crore. Equity markets witnessed huge sell-off after investors turned risk-averse as major central banks gets ready for tightening. Meanwhile, IMF in its World Economic Outlook has cut India's economic growth forecast to 9 percent for the current fiscal year ending March 31st, joining a host of agencies that have downgraded their projections on concerns over the impact of a spread of new variant of coronavirus on business activity and mobility.

However, Rupee recouped some of the losses and surged by 42 paise, and closed at 74.62 against the dollar on the last day of the month, the highest gain since December 2021, as domestic equities rallied ahead of the annual budget. Along with that, economic data showed that India's Infrastructure output in India went up 3.8% year-on-year in December of 2021, further boosting the rupee. However, bond traders were disappointed to post the budget, which could be understood from a sharp spike in bond yields, as the revised fiscal deficit in FY22 is estimated to be 6.9% against the budgeted 6.8%, against an expected reduction. Meanwhile, the FY23 Budget deficit target is set at 6.4% of GDP, indicating that LIC IPO might be in FY23, which might further weigh on the rupee in February.

The dollar index rose by almost 0.91% in January, after US inflation rose to 7% and the unemployment rate edged lower to 3.9%, convincing Fed to tighten faster. Federal Reserve indicated that it would likely hike interest rates in March and begin reducing its balance sheet soon after. Powell reiterated that the economy is strong enough on its own, without intense monetary policy support. Along with that, Powell doesn't rule out raising rates at all FOMC meetings. However, the dollar rally was paused after a batch of economic data showed that the PCE price index in the US rose by 5.8% from December 2021, in line with market expectations and the University of Michigan consumer sentiment declined to 67.2 in January of 2022, the lowest level since November 2011.

Outlook

Indian Rupee spot is expected to depreciate towards 75.5 in January as the dollar has been strengthening since the Fed taper began and there is a high possibility of an earlier than expected rate hike by March to tame the inflation surging past decade highs. US Labour data and Inflation numbers will be keenly watched along with the FOMC meeting on January 28th, which is the major event for the month. The rise in Omicron cases worldwide also poses a threat to the rupee, in case if it goes out of hand, even though the effects have been undermined.

Anand Rathi PMS

MNC Portfolio

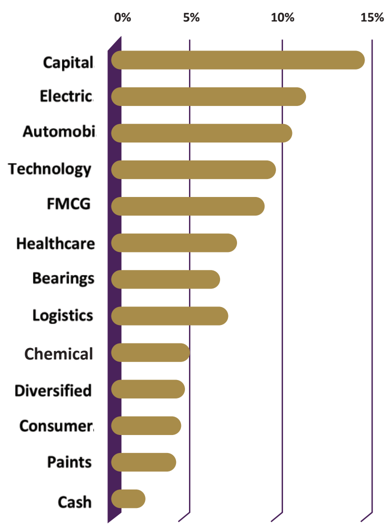
Focus on consistency of return and risk moderation by investing in Multinational Companies listed in India. Investments into listed companies in India in which the foreign shareholding is over 50% and/or the management control is bestowed in foreign company and/or the technological and managerial know-how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

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

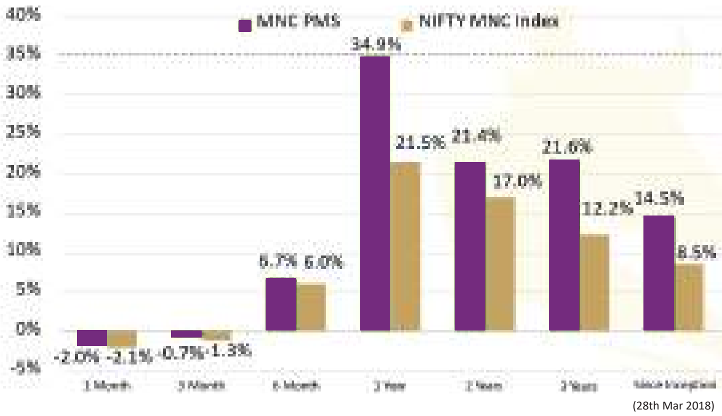
Top Holdings and Allocation

Sr. No.	Top 10 Holdings	% Holdings
1	Grindwell Norton Ltd.	8.30%
2	KSB Ltd.	8.00%
3	SKF India Ltd.	7.00%
4	Blue Dart Express Ltd.	7.00%
5	Maruti Suzuki India Ltd.	6.20%
6	Honeywell Automation India Ltd.	6.00%
7	Siemens Ltd.	5.60%
8	BASF India Ltd.	5.30%
9	MPhasis Ltd.	5.00%
10	Hindustan Unilever Ltd	4.70%

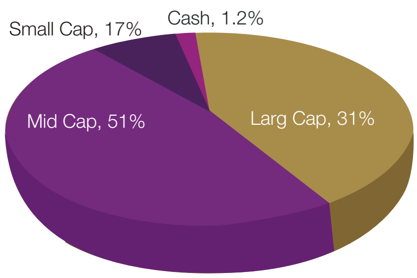
Sector Allocation



Performanceas on 31st January, 2022



Market Cap Allocation



Source: *Anand Rathi Internal Research.*

Data as on 31st January 2022

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

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

Anand Rathi PMS

Impress

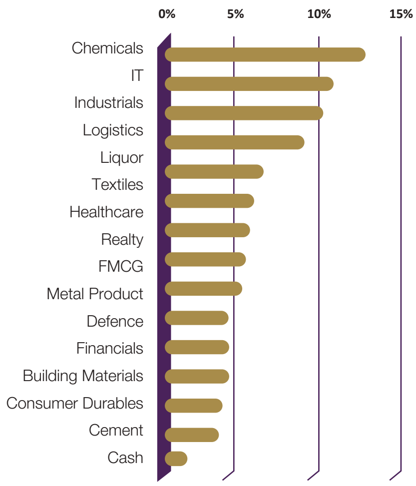
Focus on Return Optimization by investing in multicap portfolio of rising enterprises with sound corporate track record and sustainable business model keeping balance between value and growth strategy.

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

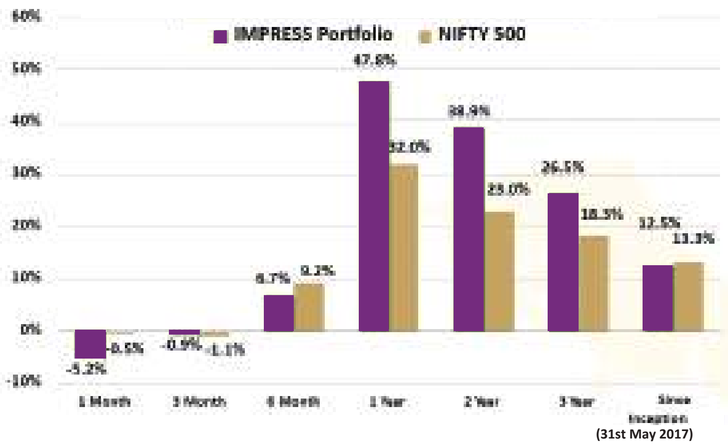
Top Holdings & Market Cap Allocation

Sr. No.	Top 10 Holdings	% Holdings
1	Radico Khaitan Ltd.	7.8%
2	Solar Industries India Ltd.	6.6%
3	K.P.R. Mill Ltd.	6.2%
4	Krishna Institute of Medical Sciences Ltd.	6.0%
5	Carborundum Universal Ltd.	5.7%
6	Aarti Industries Ltd.	5.6%
7	Oberoi Realty Ltd.	5.5%
8	Tata Consumer Products Ltd.	5.5%
9	Blue Dart Express Ltd.	5.4%
10	Ratnamani Metals & Tubes Ltd.	5.1%

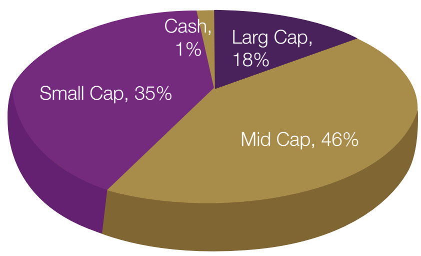
Sector Allocation



Performanceas on 31st January, 2022



Market Cap Allocation



Source: *Anand Rathi Internal Research.*

Data as on 31st January 2022

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

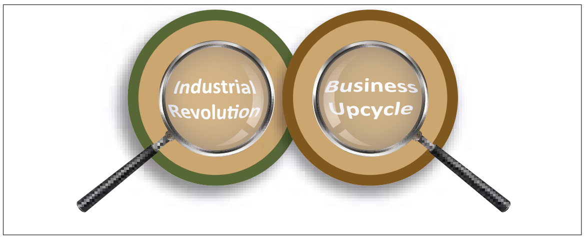
Disclaimer: *Past Performance is not necessarily indicative of likely future performance. Performance mentioned above are not verified by SEBI. We have shown the performance as Aggregate performance of all clients on TWRR basis.*

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.

Dual Focus Portfolio Strategy



Investing in companies which are likely to benefit from Industrial Revolution, new age business, favorable Policies, and companies that are showing visible sign of turnaround with higher growth in their next business up cycle.

Emerging business of ongoing Industrial Revolution

Opportunity - Accelerated Growth from Business Upcycle

- Indian economy has found its place among the key global players in many of the sectors.
- India increasing its share and becoming a part of the global supply chain and also a reliable partner.
- Government focus on building capabilities, scale and good manufacturing practices.
- PLI, Export incentive and Atmanirbhar Bharat Initiative very well supportive to strengthen India's private players/ Enterpreneurs to scale up their business.
- With overall economic growth both at macro and micro level and favorable policy many sectors enters into their next business upcycle

Opportunities at every level of emerging business

Stock Selection Process

Technical Analysis

NIFTY: FEB 2022

The first half of Jan 2022 brought some hopes and cheer on the streets as we saw the impact of OMRICON easing out and the domestic markets took the same in right spirit. As a result the index NIFTY spot cleared the hurdle of 17600 and almost retested 18400 mark. However; things turned dramatically in the favour of bears when the UD FED talked about much impending rate hike which is scheduled to be from March 2022. As a result the index nosedive back to 16800 mark in a short span of time. The FII's sold whopping 37000crs worth of equities in Indian markets. Contrary to that; in line with our broader bullish outlook the bulls retaliated back during the past few sessions of Jan 2022 and helped the index to recapture 17300 mark. Eventually the index ended flat on a monthly basis with too much of wild swings.

In our recent weekly newsletter we discussed that the index NIFTY is hovering above a critical support formed by rising parabolic line on the weekly scale. That support is of 16800 which is the 78.6% retracement level of the entire rally from 16400. In addition we have a placement of 200 day simple moving average at 16650. If at all this support is held and we have some positive triggers from budget then the index could rise towards 17800 – 18000 mark. In line with that view; NIFTY has now rallied towards 17800 mark. Now going ahead; 18000 would be a psychological resistance for the index. A close above the same would help the index to reach new highs in coming months. On the downside; 16800 is now a strong bottom for the markets. Till the time it is untouched; we are into buy on dips cycle. Meanwhile in between 17800 and 16800; 17300 would be an intermediate support. For NIFTY to move higher; the NIFTY BANK index could be a great catalyst and the reason for the same is mentioned below.

Through our newsletters; morning concalls and educational videos; we have been mentioning that 2022 could be the year of NIFTY BANK index since it has underperformed the benchmarks for two consecutive years. As expected; the month of Jan 2022 belonged to NIFTY BANK index. The month where NIFTY closed flat; the NIFTY BANK index ended with gains of 7% and that's a terrific outperformance. Now at this juncture; the index has confirmed a breakout above 39000 mark on a closing basis which indicates that it is heading for fresh high. The view would be negated below the recent low of 36400 and till then buy on dips is the view for banking stocks.

Technical Pick - BUY NMDC

POTENTIAL UPSIDE 24.32%- 32.43%

- The weekly chart of NMDC depicts that the stock recently found support exactly at the placement of previous horizontal line resistance. This resistance zone acted as a strong support near 125 mark
- At this juncture; the stock has managed to close above 200 DSMA displayed by the orange line and that is a sign of positive trend
- In addition; we saw a range breakout which indicates fresh upside
- Even the weekly RSI is trading above 50 mark which suggests that the stock is gaining strength.Thus; traders are advised to buy the stock in the range of 150 -146 with a stop loss of 124 on closing basis for the upside potential target of 184 followed by 196 levels in coming months

Fixed Income Services

The Monetary Policy Committee (MPC) unanimously kept the Repo and the Reverse Repo rate unchanged in its December 2021 review, with a 5 to 1 majority to continue with the accommodative stance as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target.

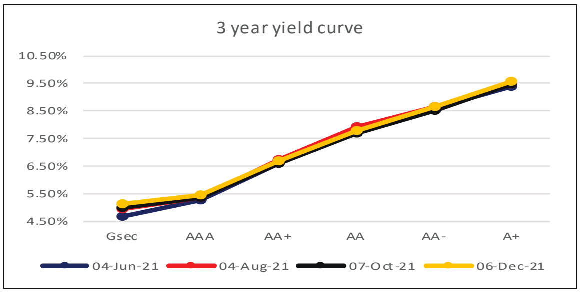
Key Takeaways:

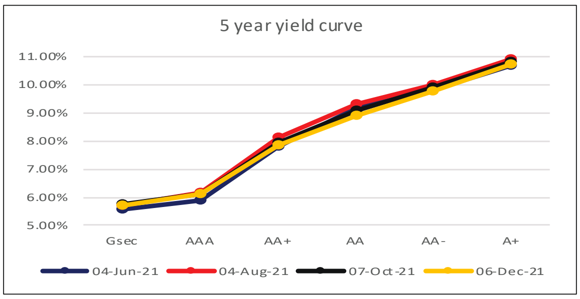
- The projection for CPI inflation has been revised to 5.3% during 2021-22; 5.1% in Q3; and 5.7% in Q4 of 2021-22, with risks broadly balanced. CPI inflation for Q1:2022-23 is projected at 5.0% and for Q2 at 5.0%.

- The projection of real GDP growth for 2021-22 is retained at 9.5% in 2021-22 consisting of 6.6% in Q3; and 6.0% in Q4 of 2021-22. Real GDP growth for Q1:2022-23 is projected at 17.2% and 7.8% for Q2.

The MPC maintaining a unanimous status quo on rates was in line with major market expectations even as swap rates had been indicating the expectation of some hike in the reverse repo. The expectation of change in reverse repo not being met was taken positively with the RBI continuing to use variable reverse rate repo auction (VRRR) as the) as the mode of managing liquidity and short- term rates. The MPC continued to emphasize that its focus would remain on growth.

G-Sec yields eased post the policy, with the yield curve continuing to remain steep. Going forward, global central bank policies would be key with a cautious approach to short-term rates. Significant credit spread compression has been seen in the AA space since our last update as seen below





Source: RBI Press Release, Fixed Income Databases

Secondary Market Bond Offers

Security	Maturity/C	IP	Rating	Yield
Tax Free Quotes				
Security	**Maturity/C**	**IP**	**Rating**	**Yield**
7.29% NABARD Tax Free 2026	23-Mar-36	Annual on 23-Mar	IND AAA/Stable	4.34%
8.66% IIFCL 2034	22-Jan-34	Annual on 22-Jan	IND AAA/Stable	4.50%
PSB Perpetual Quotes				
Security	**Maturity/C**	**IP**	**Rating**	**Yield**
7.55% SBI Perp 2026	14-Dec-26	Annual on 14-Dec	AA+ by CRISIL & IND	7.44%
7.74% SBI Perp 2025	09-Sep-25	Annual on 9-Sept	AA+ by CRISIL & IND	7.10%
PSU Quotes				
Security	**Maturity/C**	**IP**	**Rating**	**Yield**
8.65 NABARD 2028	8-Jun-28	8th Dec & 8th Jun	AAA by CRISIL & India Rating	6.70%
6.95 PFC 2031	1-Oct-31	Annual on 1-Oct	AAA CRISIL, ICRA & CARE	6.90%
Corporate Bonds				
Security	**Maturity/C**	**IP**	**Rating**	**Yield**
6.75 Piramal Capital & Housing Finance Ltd. 2031	Staggered Maturity (31-Sept-31)	28-Mar & 28-Sept	AA by ICRA & CARE	10.60%
9.00% Mahindra &Mahindra Financial Services Ltd. 2026	06-Jun-26	Annual on 6-Jun	AAA by IND Ratings & CARE	7.56%
7.05 HDFC 2031	01-Dec-31	Annual on 1-Dec	AAA CRISIL & ICRA	7.20%
10.25 Shriram Transport Finance Corporation 2024	26-Apr-24	Monthly on 28th	AA+ CRISIL & IND	8.48%
8.07 L&T Finance Ltd 2024	14-Jun-24	Annual on 14-Jun	AAA by CRISIL & ICRA	7.01%
7.02 Bajaj Finance Ltd. 2031	18-Apr-31	Annual on 19-Apr	AAA by IND & CRISIL	7.20%
9.20% Hinduja Leyland Finance Ltd. 2024	13-Sep-24	Annual on 13-Sept	AA-/Stable by CARE	9.55%
7.40 Muthoot Finance Ltd 2024 (Secured)	05-Jan-24	Annual on 5-Nov	AA+ by CRISIL & ICRA	6.12%
8.35 Tata Motors Finance 2027	13-Nov-27	Annual on 13-Nov	AAA by CRISIL & ICRA	7.75%

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

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

Purnartha
RESEARCH - RESULTS - RELATIONSHIPS

PROPRIETARY QUANTITATIVE MODEL

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

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

SAMPURNA

Fundamental Analysis | **Quantitative Analysis**

FUNDAMENTAL RULES OF ALGORITHM

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

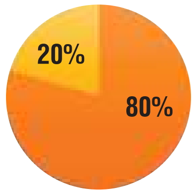
QUANTITATIVE RULES OF ALGORITHM

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

STOCK SELECTION PROCESS

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

Market Cap Allocation (As on 31st August)



Investment Option 1

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

Investment Option 2

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

Investment Option 3

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

Investment Option 4

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

MA₹CELLUS

About Marcellus

Marcellus Investment Managers was founded in 2018 and currently has c.US$ 1.2bn in assets under management and advisory. The founders have worked together for the past 15years

Saurabh Mukherjea
CFA - Chief Investment Officer

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

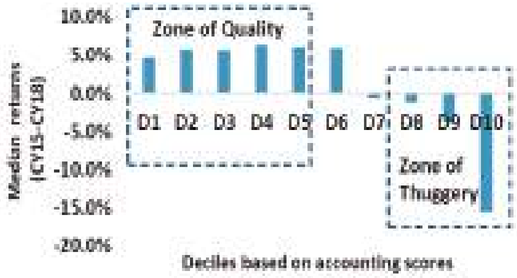
Key steps for identifying consistent compounders

Step 1: Identify companies with clean accounting

Ten forensic accounting checks used to identify naughty companies.

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

Strong correlation between accounting quality and shareholders' returns



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

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

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

Step 2: Identify companies with superior capital Allocation

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

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

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

![MARCELLUS]

There are two conclusions from this exercise:

• This filter based portfolio delivers returns of 20-30% p.a. (of INR returns) and 8-12% out- performance relative to the Sensex.

• The volatility of returns of such portfolios, for holding periods longer than 3 years, is similar to that of a Government of India Bond.

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

step 3: Identify companies with high barriers to entry

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

What do we look for in our research?

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

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

- Rama Bijapurkar

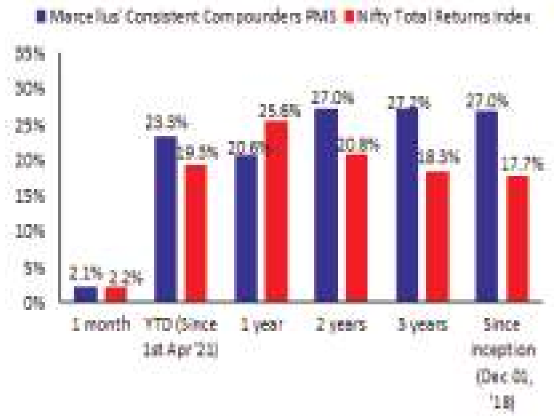
Leading market strategy consultant

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

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

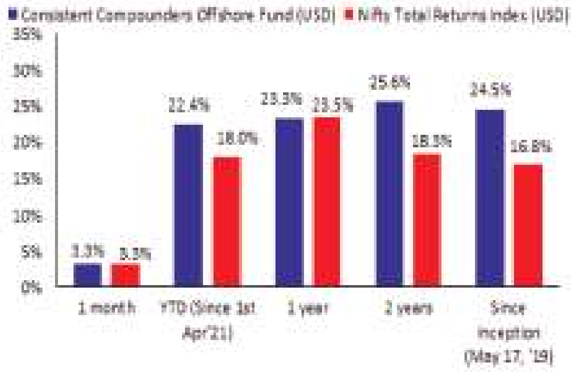
Fund performance (as on 31st Dec' 2021)

Exhibit 1a: Marcellus' Consistent Compounders PMS performance as on 31st December'21 (INR)



Source: Marcellus, Bloomberg; All returns are net of fees and expenses (TWRR); Since inception, 2 years & 3 year returns are annualised; Other time period returns are absolute

Exhibit 1b: Consistent Compounders offshore fund advised by Marcellus - as on 31st December'21 (US$)



Source: Marcellus; All returns are net of fees and expenses (TWRR); Since inception and 2 years returns are annualised; Other time period returns are absolute; NSE /FBIL for USD-INR exchange rate

ICICI Venture

Overview of ICICI Venture

ICICI Venture, established 1988, is a pioneer in 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

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-2005	Investment : Jan-2018	Investment : Jun-2014	Investment : Mar-2010 (IAF3) / Aug -2016 (IAF4)	Investment : Apr-2005
Exit : Feb-2011	Exit: Nov/Dec 21 (Partial)	Exit : Jun-2018	Exit : Mar-2020	Exit : Jul-2011
Gross INR MOIC: 8.2x^	Gross INR MOIC : 6x	Gross INR MOIC : 3.8x	Gross INR MOIC : 6.2x/6x	Gross INR MOIC : 25.8x
Gross INR IRR: 61.9%[4]	Gross INR IRR: 59%	Gross INR IRR: 28.8%	Gross INR IRR: 25% / 55%	Gross INR IRR: 138%

IAF4 Portfolio Overview

Backing leaders and emerging leaders in fast growing sectors in India

IAF4 Portfolio	Entry Year	Investment[1] (INR Mn)	Sector	Strategy	Original Stake	Exit Strategy
STAR	2016	1,000	BFSI	Growth PE	4.32%	Exited to strategic, PE
GO COLORS!	2018	1,000	Consumer	Growth PE	[illegible]	Partially exited (IPO, markets)
India1	2019	1,000	BFSI	Joint Control	21.48%^	IPO in progress
ontheo	2016	1,650	Mfg	Growth PE	20.22%^	Sale to PE / IPO
KIMS	2021	1,800	Healthcare	Growth PE	2.42%	Listed (Capital markets)
[illegible]	2017	1,250	Consumer	Joint Control	46.5%	Sale to strategic/PE
DCB BANK	2018	2,298	BFSI	Growth PIPE	4.30%	Listed (Capital markets)
[illegible]	2021	1,600	Mfg	Growth PE	15.0%-24.2%	IPO
[illegible]	2021	2,400^	BFSI	Growth PE	16.55%^	Sale to PE/IPO/strategic

Proposed key fund terms (India Advantage Fund S5 II)

Key fund terms*

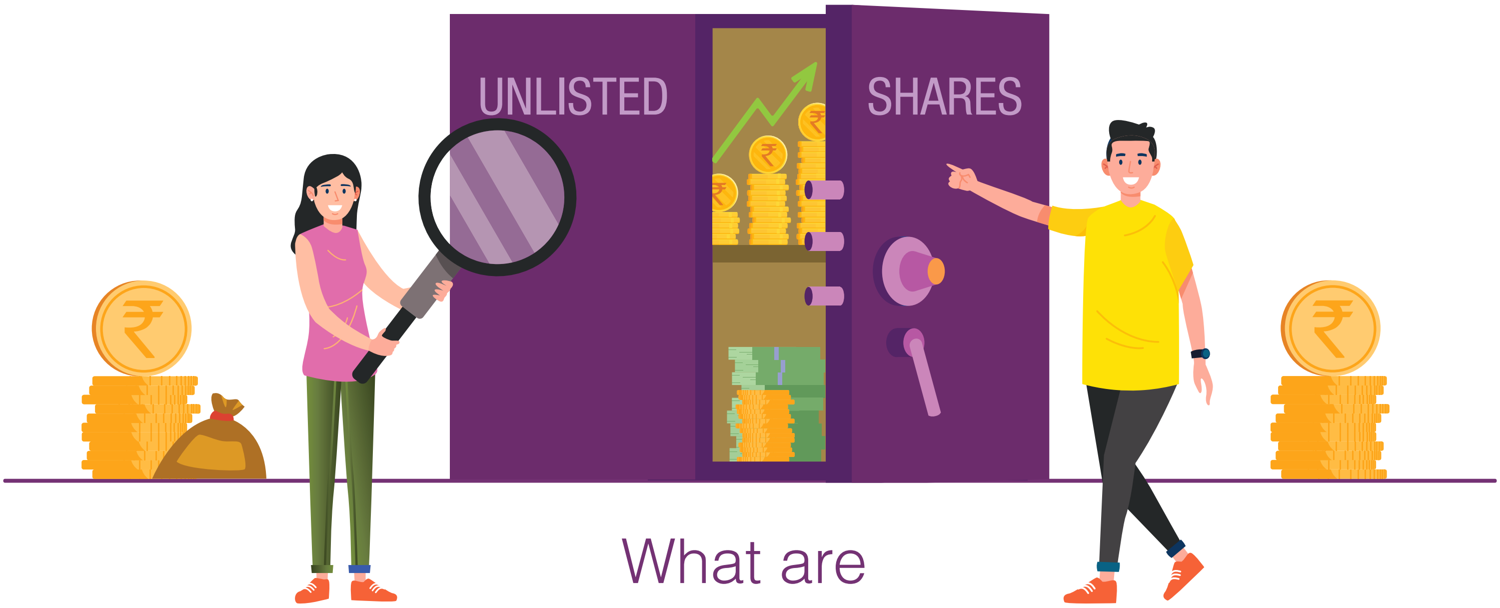
Indian Fund (Feeder Fund)	Organized as a close-ended, contributory, determinate trust, under registration with SEBI as a Category II AIF (Fund of Funds). ICICI Venture is Settlor, AIF Sponsor, Manager of the Feeder Fund. Will invest solely in India Advantage Fund S5 I which is organized as a close-ended,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

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

With

EQUITY UNICORN

Investment in Unlisted Shares*



What are
Unlisted Shares*?

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

Reliance Retail	Retail
HDB Financial Services Limited	Financial Services
Fino Paytech Ltd.	Payment Bank
Chennai Super Kings	IPL Team
Studds Accessories Ltd.	Helmet Accessories
Kurlon Ltd.	Mattresses
Philips India Ltd.	Electronics
Sterlite Power Transmission Ltd.	Power & Transmission
Hero Fincorp Limited	Financial Services
TATA Technologies Limited	Engineering
Tamilnad Mercantile Bank	Banking
Care Health Insurance	Insurance

*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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ANAND RATHI

INVESTMENT SERVICES

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