AnandRathi
Private Client Group
Equity

FINANCIAL FLASH

March 2021

Index

PCG Communique

We are coming to the last leg of FY 20-21. And this has been the year where we started from the bottom of the market 8200 (Nifty Levels) to the higher end of the market 14529. The market has given a return of almost 77% from FY 20-21 to date. Such a predominant return which the market has given in the past is way in the calendar year 2009-10 just after the Global Financial Crisis where the market has delivered a return of 73%. The provisional Data shows that FII were Net buyers to a tune of 42,044CR (including the Block deal of Bosch India worth 29000CR approx) while DII were net sellers to a tune of 16,358CR.

Feb has been a very volatile month and the Volatility Index has been on the high of 28. The increasing bond yields and fear of rising inflation in the US made the investors and traders cautious globally. As a result, the Indian markets witnessed intense selling pressure, falling more than 3 percent in the week ended February 26. Also, the concerns over the second wave of COVID cases weakened the sentiment. But the rally post Budget FY22 and RBI's accommodative stance helped the market close with over 6 percent gains for February.

The rising commodity prices also raised inflation worries. The US 10-year bond yields increased to 1.6 percent last week despite Federal Reserve Chairman Jerome Powell's assurance to maintain official interest rates low with enough liquidity since the economy is still well below the pre-COVID level. But experts feel bond yields are still not at an alarming stage but if it shows a consistent rise in the coming weeks then that could be a cause of concern.

After feeling the sigh of relief following a declining path of COVID-19 infections, there has been some increase in cases again in the last few days which also acted as a risk to the market and would be a key thing to watch out for through the vaccination program is going on smoothly. Maharashtra and Kerala showed the maximum increase in cases among states.

Auto stocks will be in focus as sales data for February will be released on the 1st week of March. Experts feel the passenger vehicle and tractors sales could remain strong, but the two-wheeler numbers could be muted, while there could be a rise in commercial vehicle sales Y-o-Y was given the improving demand and gradual recovery in replacement demand.

Crude oil prices were back to pre-COVID levels amid the hope that demand could improve with vaccination rollouts in most affected countries. International benchmark Brent crude futures climbed up to $67 a barrel during Feb and close to trade at $65 a barrel. However, the prices still gained 20 percent in February which is a big headwind for oil importers like India which already raised fuel prices to a record high level.
India's manufacturing sector activity turned stronger further as factories continued to ramp-up production in response to rising sales and new export orders. The IHS Markit India Manufacturing Purchasing Managers' Index rose from 56.4 in December to 57.7 in January, while the Services PMI rose to 52.8 in January from 52.3 in the previous month.

GDP numbers got released where the data rose to 0.4% in the Oct-Dec qtr of FY 20-21 against the earlier projection of 0.1% by a few economists. Despite picking up during the festive season private consumption expenditure continued to contract Q3 FY20-21. Few economists are projecting a GDP growth of 1-2% in Q4 of FY 20-21 taking the FY 20-21 contraction to -7.35% for the year.

"Going ahead, equity markets could remain under pressure as the normal course of correction continues to take shape. Now with expectations of a fresh stimulus in the US, there could be more helicopter money in the system. Meanwhile, market participants should keep an eye on bond yields and the movement of USD/INR which could undergo some depreciation but long-term investors should continue to remain invested. With every fall in the market, investors will keep getting the opportunity to buy quality franchises at lower levels.

From the Desk of the PCG Head
Rajesh Kumar Jain

Market Commentary

Markets were positive through February after a positive union budget. Benchmark indices, S&P BSE Sensex and Nifty50 both increased by 6.1% & 6.6% respectively, to settle at 49099.99 and 14529.15, at the end of February.

Markets started the month on an optimistic note as bulls took complete control over Dalal Street with frontline gauges jubilantly during the budget week and settled with a massive gain of over nine percentage points. Markets started the first week on a very optimistic note and traded towards the north on every day of the week as investors welcomed the big infrastructure and healthcare boost provided in the Union Budget. In the budget speech, Finance Minister Nirmala Sitharaman has touched almost all the big sectors and gives something good to all the sectors. The Budget 2021 is further expected to boost India's economic recovery given the significantly higher spending on growth-oriented sectors like infrastructure and local manufacturing.

Extending the previous week's gains, Indian equity benchmarks ended the passing week with a gain of over one and a half percentage point, settling above their crucial 51,500 (Sensex) and 15,150 (Nifty). Markets started the week on an optimistic note as sentiments got a boost with Expenditure Secretary T V Somanathan's statement that the government is confident of lowering the fiscal deficit to 4.5 percent of GDP by 2025-26 fiscal, considering a nominal GDP growth of 10 percent every year. Sentiments also remained up-beat with Economic Affairs Secretary Tarun Bajaj's statement that the government is sticking to the target of becoming a $5 trillion economy by 2024-25 and emphasis on infrastructure sector and other initiatives taken in Budget 2021-22 is aimed at achieving the goal.

Indian equity benchmarks ended the third week in red terrain as investors remained concerned about lockdown fears due to rising new covid cases and an increase in crude prices. Traders turned concerned and started booking profit off the table after Maharashtra chief minister Uddhav Thackeray warned that if Covid-related norms are not followed, the state government will be forced to re-impose a lockdown. The Maharashtra government may impose a stricter lockdown in the Yavatmal, Amravati, and Akola cities of Maharashtra's Vidarbha region due to the covid-19 situation. Markets kept losing ground till week's end as sentiments remained down-beat with Rating agency Crisil expects stressed assets of non-banking financial companies (NBFCs) to touch Rs 1.5-1.8 lakh crore or 6-7.5% of the assets under management (AUM) by the end of the current financial year.

Selloff during the final day of the trade of the fourth week dragged markets lower for the week with frontline gauges shaving three percentage points, settling below their crucial 50,000 (Sensex) and 14550 (Nifty) levels as weak global cues, rising bond yields, and fears of Covid-19-led lockdown came to haunt the bulls on the Street.

In terms of economic performances, the IHS Markit India Manufacturing Purchasing Managers' Index (PMI) for February highlighted a strong improvement in operating conditions that was broadly similar to that recorded in January. The PMI index came in at 57.4 in February from 57.7 in January & remained in the expansion zone. Reading above the 50 marks indicates growth.

The Nikkei/IHS Markit Services PMI moved to 55.3 in February from 52.8 in January, its highest since February 2020. The output of eight core infrastructure industries grew in January, the combined index of eight core Industries stood at 137.6 in Jan 2021, increasing by 0.1% YoY. While Fertilizers, Steel, and Electricity witnessed growth, Coal, Crude Oil, Natural Gas, Refinery Products, and Cement recorded negative growth in January.

India’s retail inflation, measured by CPI was down to a 16 month low of 4.06% in January and lower than 4.59% in December, mainly due to a decline in food prices. The inflation figure in January is within the upper tolerance level of the RBI’s inflation target (4% with +/- 2%). However, India’s wholesale price index (WPI) based inflation increased to 2.03% from 1.22% in December.

Regarding export-import activity, India's exports exhibited negative growth of 0.25% year over year at $27.67 billion in February while imports increased by 6.98% year over year to $40.55 billion. The Goods and Services Tax (GST) collection in February recorded an all-time high at Rs. 1,13,143 crore, 7% higher than in the same month last year.

Also, India's foreign exchange reserves declined by $6.24 billion to $583.94 billion in the week ended February 5, foreign currency assets (FCAs), a key component of the overall reserves decreased by $4.88 billion. Additionally, Foreign Portfolio Investors (FPIs) were net buyers of Rs. 24,013 crores in February, driven by strong net inflows in the equity of Rs.25,787 crore.

On the global front, The U.S. markets ended lower during the passing week amid a continued increase in treasury yields, which led to renewed concerns about interest rates despite Federal Reserve Chair Jerome Powell's assurances of ultra-easy monetary policy for the foreseeable future. The yields on ten-year notes and thirty-year bonds rose to their highest levels in a year. The increase in yields came following the release of a batch of largely upbeat U.S. economic data, including a report from the Labor Department showing a steep drop in first-time claims for U.S. unemployment benefits in the week ended February 20th.

In the labor market, initial jobless claims tumbled to 730,000, a decrease of 111,000 from the previous week's revised level of 841,000. The street had expected jobless claims to drop to 838,000 from the 861,000 originally reported for the previous week.

Meanwhile, the economic activity in the US manufacturing sector increased slowed in February as per Institute for Supply Management (ISM) report, manufacturing PMI stood at 60.8 in February, up from 58.7 in January. However, this figure indicates expansion in the overall economy for the tenth straight month after a contraction in April 2020.

In Eurozone, manufacturing sector growth was up strongly in February. IHS Markit’s Manufacturing PMI rose to 57.9 in February from 54.8 in January. As per the report of the global data firm, “Manufacturing is appearing as an increasingly bright spot in the eurozone’s economy so far this year. The PMI has reached a three-year high to run at a level that has rarely been exceeded in more than two-decades of survey history - notably during the dot-com bubble, the initial rebound from the global financial crisis, and in 2017-18.

In Japan, the manufacturing sector expanded for the first time in 22 months of February. The final au Jibun Bank Flash Manufacturing PMI stood at 50.6 in February compared to 49.8 in January. Business optimism strengthened in February, which marked the ninth consecutive month of positive sentiment among Japanese manufacturers, au Jibun Bank said.

Regarding China, the National Bureau of Statistics reported that the official manufacturing PMI for February came in at 50.6, down from 51.3 in January. The country's non-manufacturing PMI, which gauges sentiment in the services and construction sectors, showed a slower expansion, decreasing to 51.4 in February from 52.4 in January.

Going Ahead

Global market sentiments reflect optimism in the medium term, given the success in several COVID-19 vaccine distribution & vaccination. Federal Reserve Chair Jerome Powell has assured of ultra-easy monetary policy for the foreseeable future, however, the yields on ten-year notes and thirty-year bonds rose to their highest levels in a year.

Back home, the structural reforms rolled out over the last year and the pro-investment policies announced by the union budget for the next financial year are likely to improve the long-term performance of the Indian economy. While significant policy support has been extended by the recent policies and there are early signs of a recovery, major efforts are required to attract and foster corporate investment. Continuation of supportive fiscal and monetary policies including preservation of the low-interest rate regime is essential to sustain acceleration of investment activities.

Macro indicates strong green shoots in economic recovery, however, sustenance of such improving trends over the next few months remains a key factor to monitor. Earning season of Q3FY21 was encouraging especially in the banking sector, as the sector overall reported strong advance growth and lower NPA's.

We believe that continued fiscal and monetary stimulus, investment in infrastructure, government spending, policy reforms, and gradual momentum in demand and consumption from continued restarting of business activities should support economic recovery. Also, the real estate & automobile sector recovery should be faster-given demand for loans and finance for its consumption is growing.

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

Global Equity Markets ended the month on a positive note as steady progress on vaccination and hopes of US fiscal stimulus revived sentiments. Indian Equity Markets (Nifty 50 Index) ended the month with 6.6% gains. Indian markets cheered the proposals of Union Budget 2021-22 presented on Feb1, as they were primarily Growth focused and progressive.

On the global front, European equities did well as economic data showed a pick-up in manufacturing, corporate earnings were better than expected, a US stimulus package was anticipated and COVID-19 vaccinations picked up the pace. The impact of second lockdown measures too was less severe than the previous one. The US reported mixed economic data with retail sales and service sector activity picking up while there was slower growth in the manufacturing sector. Global Equities however witnessed a sell-off during the second half of the month in anticipation of faster growth and higher inflation, leading to a sharp increase in US bond yields.

On the domestic front, equity markets rallied as the budget announcements were pro-growth, Q3FY21 results were better than expected and COVID-19 vaccinations appeared to be on track. However, markets did remain concerned about the sharp rise in bond yields and unforeseen rise in COVID-19 cases in a few Indian states. GDP data for Q3FY21 was released which came in at 0.4% up from -7.5% in Q2FY21 and much better than -23.5% in Q1FY21. IIP number too came in positive at 1% compared to contractions seen earlier. All this highlighted that India is slowly recovering from the effects of COVID led slowdown. In its MPC meeting, the RBI kept the report unchanged and re-iterated its accommodative stance. On the macro front, January CPI inflation softened further to 4.1% from 4.6% in December. In sectoral trends, broadly all major recovery-oriented sectors like Metal, Power, Infrastructure, etc. were outperformers with increased demand while defensives like FMCG & IT were key laggards.

The Budget announced resonates with our view mentioned in our Outlook for 2021*wherein we highlighted that the economic environment is becoming more conducive for a Business Cycle Recovery. We continue to remain positive on sectors that are closely linked to the economy like Banks, Capital Goods, Infrastructure, Metals & Mining, etc. We believe the current market rally may continue till the following triggers play out -the US acknowledging inflation & in conclusion, pausing stimulus, and US Treasury Yields reaching 2%. Hence, this phase may require investment portfolios to be highly nimble while giving due importance to overall asset allocation.

Focused Equity Mutual Funds and Returns

Large Cap	1 Years	3 Years	5 Years	Since Inception
Axis Bluechip Fund Gr	20.74	15.26	17.97	12.78
Mirae Asset Large Cap Fund	28.72	11.59	18.48	15.63
Canara Rebeco Bluechip Fund	29.40	15.33	18.43	12.53
Franklin India Bluechip Fund	37.06	10.07	14.20	16.63
Large & Midcap				
Kotak Equity Opportunities Fund	27.62	11.56	17.88	18.31
Flexi Cap				
Canara Robeco Flexi Cap Fund	26.80	13.75	18.65	18.03
HDFC Flexi Cap Fund	33.50	8.89	17.55	18.28
Midcap Fund				
Kotak Emerging Fund	36.64	12.04	19.94	13.20
DSP Midcap Reg Gr	27.77	10.10	19.28	15.14
Midcap Fund				
SBI Focused Equity Fund	19.86	11.88	17.71	19.35

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

Debt Outlook

Gilts prices ended lower with the yield on the 10-year benchmark 5.85% 2030 paper settling at 6.23% on February 26, 2021, compared with 5.91% on January 29, 2021. Bond yields reacted negatively to the budget announcement, as the center not only increased its borrowing for the current financial year but also set a higher-than-expected borrowing target for the next fiscal. The government increased the market borrowing size by Rs. 800 billion to Rs12.8 trillion for the current fiscal, and decided to borrow Rs12.05 trillion from the market in fiscal 2022. The spike in bond yields can also be attributed to i). Lack of regular OMO announcements and ii) misalignment of yields/price expectations resulting in the devolvement of certain auctions amid investor concerns over excessive supply iii) Concerns around inflation.

Monetary Policy Committee (MPC) minutes reiterated the guidance of the policy statement acknowledging that growth continues to recover, although sustenance still requires policy support. Most members were comforted by the recent correction in inflation. However, the upside risk emanating from crude oil prices, global commodity prices, and rising pricing power remained a common cause for worry.

In an interview (24 Feb), Governor Mr. Das assured market participants that RBI will continue with its proactive "soft yield curve control strategy" and will undertake "at least" INR 3trn of OMO purchases in FY22, similar to what has been done in FY21. He also stated that RBI OMO purchases will be for a range of bonds and not just restricted to the 10-Yr benchmark paper. In the latest report on currency and finance for 2020-21, RBI made it clear that the 4% mid-point CPI inflation. This gives some predictability, however, the inclusion of core inflation along with headline inflation would have further enhanced gauging the inflation trajectory.

Going forward, we believe higher fiscal support with credit pick-up may result in stronger growth recovery. This may come with the risk of elevated inflation and likely interest rate volatility. In our Outlook 2021*, we have highlighted that the capital gains strategy has played out meaningfully, and going forward return expectations need to be rationalized. RBI is expected to continue the gradual normalization of liquidity management operations as the growth &economic activity picks-up.

In the coming years, 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 & MMI instruments, as going forward capital appreciation strategy may take a backseat 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 a barbell strategy 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 Debt Funds with Returns	1 Year	3 Years	5 Years	Since Inception
SBI Magnum Medium Term Fund	8.69	9.37	9.68	8.17
ICICI Prudential Medium Term Fund	7.59	8.07	8.14	7.64
Kotak Medium Term Fund	4.55	6.49	7.29	8.07

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

Commodities Outlook

Bullion commodities witnessed a disappointing price movement

MCX Gold declined for the second month due to pressure in the international gold market. From the highs of $1,959 somewhere in January 2021, Comex gold is now trading around $1,720, near-critical psychological support of $1,700, almost down by 9% year to date. A vision of economic recovery, the dollar rebounding off recent lows, Fed's taper tantrum, and equity markets doing well all in this environment there's been a bit of a lesser demand for gold. The SPDR Gold ETF has fallen from tonnes on 1st January 2021 to tonnes as of 1st March 2021.

Precious Metals	Performance in February
MCX Gold	-6.84%
MCX Silver	-3.5%
Comex Gold	-6.2%
Comex Silver	-2.0%

Source: Telequote, as on 2nd March 2021

But on the other side of that coin, we are seeing an additional $1.9 trillion stimulus being injected into the economy and we could potentially see an inflationary environment down the road, in which gold tends to fare quite well.

The dollar index jumped to a three-week high in February end, while optimism over the economic stimulus and promising updates on COVID-19 vaccines lifted risk sentiment in wider financial markets.

The disappointing price performance in recent weeks has caused an increasingly pessimistic sentiment. Although gold may be supported by the stimulus in the medium term, gold will face some "headwinds".

But the story for silver is different. It is merely down by 1% in 2021 as expectations of rising demand in industries have supported the metal. Although silver is expected to be more volatile than gold, we expect the metal to stay supported in the coming month. Hence unlike in gold, we re-iterate a positive view on silver.

Base Metals: tight supplies and demand optimism lifted the sentiment

Industrial Metal (MCX)	Performance in February
Copper	17.9%
Aluminium	6.9%
Zinc	6.6%
Nickel	6.3%
Lead	5.4%

(Source: Telequote, as on 2nd March 2021)

Copper, an elephant in the room, was the top gainer for the month as price hit an all-time high on the MCX in tandem with a strong uptrend in the international market. The macro backdrop looks increasingly supportive for industrial metals as the world emerges from COVID-19 led recession. Market participants also eye a key meeting in China in the second week of March that will unveil the country's growth drivers and potentially paint a clearer picture on the outlook for metals demand in their biggest consuming market. Aluminum spiked to the highest since 2011 on concerns about supply in one of the country's major production hubs. And of course, the optimism surrounding the EV boom along with supply tightness from Indonesia has pushed nickel to a multi-year high on the MCX

LME Copper touched the highest since 2011, with Chinese investors making fresh bets that the metal's rally has further to run as the nation's economy rebounds. Prices have skyrocketed in February as a raft of measures to boost growth likely will see consumption outstrip near-term supply. Federal Reserve Chairman Jerome Powell provided the latest boost, signaling continued policy support for the economy and expectations of a return to the more-normal, improved activity later this year.

The outlook remains bullish in the industrial metals having said that, we don't reject the chances of a technical profit booing. Nonetheless, the strong economic numbers from the China, US & the EU are expected to provide support in the near term.

Crude oil gains steam in February 2021

Crude oil prices continued their rally for the fourth consecutive month in February 2020 with 18% and 21% gains on the NYMEX and MCX respectively. The gains could be largely attributed to the Texas freeze which led to the shutdown of 16 refineries in Texas, 3 in Oklahoma, and 2 in Louisiana, thereby shutting 4 million barrels in daily oil production capacity and reducing output from 14 million BPD to 10 million BPD.

Also, OPEC's over compliance with output cuts was supportive with Saudi cutting an additional output cut of 1 million BPD in February and March 2021 that Saudi had voluntarily agreed to in the January OPEC meeting. Further, Iran rejected any proposal to arrange a diplomatic conversation with the US and EU to revive the 2015 nuclear deal, unless the harsh sanctions are lifted first.

Oil prices may continue to gain momentum, although the pace might slow a bit, as OPEC+ is likely to increase its output by 1.5 million barrels per day. Assurance by the Fed and ECB that the interest rates will remain lower for longer after panic gripped markets in the last week on the spike in US treasury yields, may support the risk sentiments and buy-in crude oil.

Currency Outlook

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USDINR to appreciate on stimulus optimism and strong forex reserves

Rupee spot continued its steady pace of appreciation in the first three weeks of February 2021 and touched one year high of 72.2675 on persistent weakness in DXY owing to broader global market optimism regarding vaccines and fragile jobs market in the US.

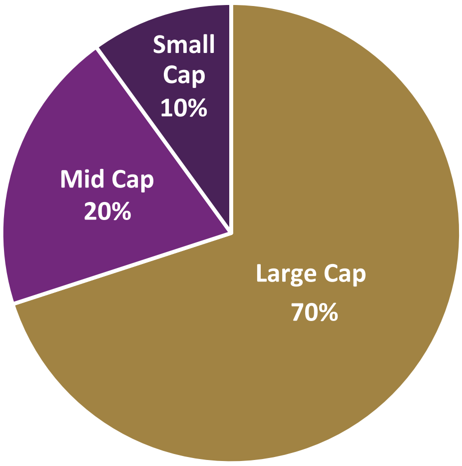
RBI showed its commitment to an accommodative stance in the February meeting, by keeping both repo and reverse rates unchanged. Also, the central bank's outlook on growth improved significantly as it projected FY22 GDP growth at 10.5%.

Still, the Rupee spot closed the month on a negative note and depreciated by 0.7% in February 2021 hurt by global gloom that spread to Indian markets pushing the domestic currency to mark its biggest one-day fall since August 2019. Surging US treasury yields sparked panic in the global markets and flight from risky assets. US benchmark 10-year treasury yields jumped to 1 year high of 1.614% on rising inflation concerns and expectations of a faster economic recovery. This unnerved investors who believed that high treasury yields could lead to higher interest rates and an early monetary policy tightening cycle. In response to the same, Indian bond yields too surged to a six-month high of 6.3%.
This happened despite Fed chair Powell stating in his most recent testimony that inflation and employment both remain well below target and the US economy is far from recovery.

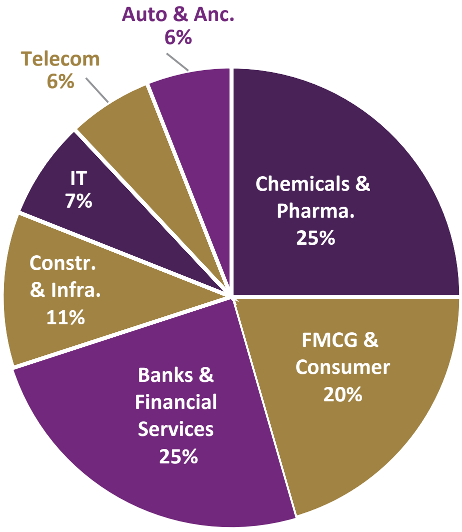
We expect the Rupee spot to strengthen towards 72.4-73.2 levels as optimism regarding the massive US stimulus package and India's strong forex reserves position may provide a cushion. Also, the latest GDP figures showed the Indian economy grew 0.4% YoY in Q3FY21, pulling out from recession.

Model Portfolio

Market Cap. wise Allocation (Conservative Portfolio)



Sector wise Allocation (Conservative Portfolio)



Portfolio Constituents

Large Cap	% Weight
HDFC Bank Ltd.	6.0%
Hindustan Unilever Ltd.	7.0%
HDFC Ltd.	6.0%
Bharti Airtel Ltd.	6.0%
HCL Technologies Ltd.	7.0%
Ultratech Cement Ltd.	6.0%
HDFC Life Insurance Ltd.	6.5%
Divi's Laboratories Ltd.	6.5%
SBI Cards And Payment Services Ltd.	6.0%
Hero MotoCorp Ltd.	6.0%
Tata Consumer Products Ltd.	7.0%

Portfolio Constituents

Mid Cap	% Weight
AartiIndustries Ltd.	7.0%
VinatiOrganics Ltd.	6.5%
Crompton Greaves Consumer Electricals Ltd.	6.5%

Small Cap	% Weight
Hikal Ltd.	5.0%
KEC International Ltd.	5.0%

Source: Anand Rathi Internal Research.
Note: Basket / Portfolio is Equal-weight with a monthly rebalance strategy

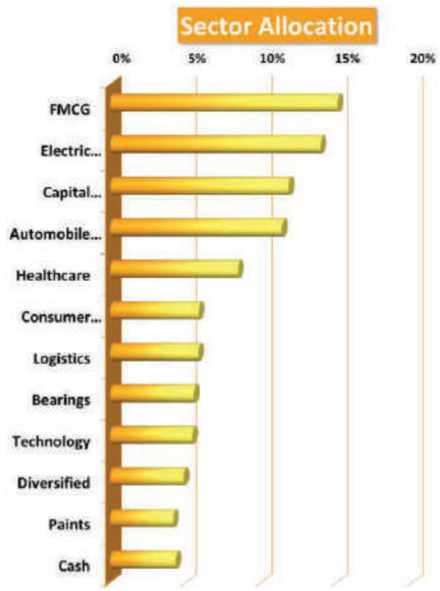
Anand Rathi PMS
MNC Portfolio

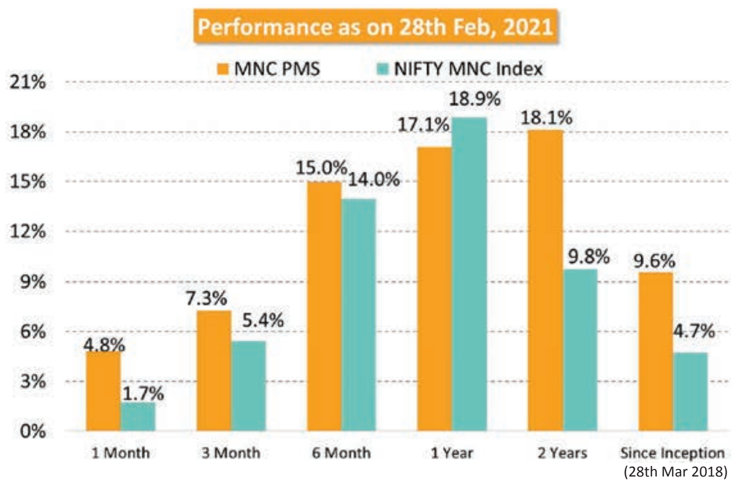
Focus on consistency of return and risk moderation by investing in Multinational Companies listed in India. Investments into listed companies in India in which the foreign shareholding is over 50% and/or the management control is bestowed in foreign company and/or the technological and managerial know-how 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	Honeywell Automation India Ltd.	8.2%
2	Maruti Suzuki India Ltd.	6.4%
3	KSB Ltd.	6.1%
4	Whirlpool Of India Ltd.	5.8%
5	Siemens Ltd.	5.8%
6	Grindwell Norton Ltd.	5.7%
7	SKF India Ltd.	5.5%
8	Mphasis Ltd.	5.4%
9	Coforge Ltd.	4.9%
10	Pfizer Ltd.	4.5%





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

Data as on 28th Feb, 2021

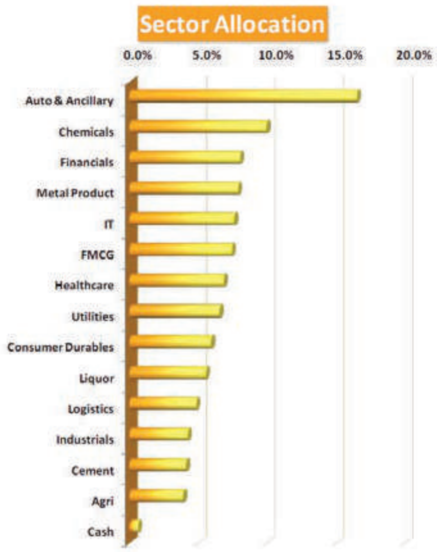
Anand Rathi PMS
Impress

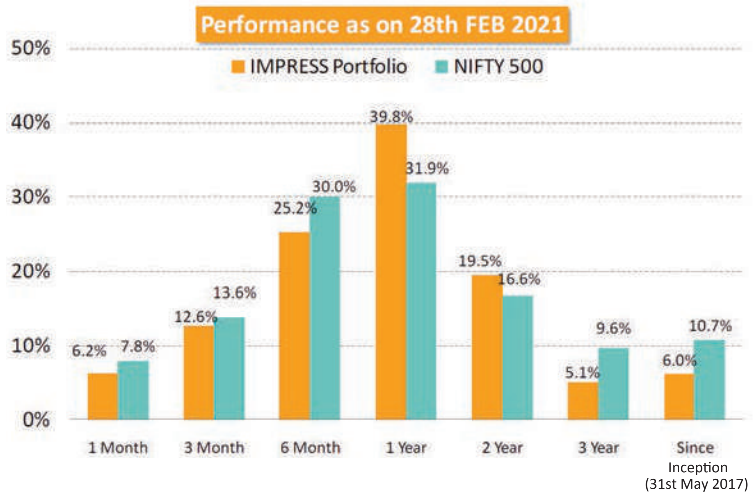
Focus on Return Optimization by investing in multicap portfolio of rising enterprises with sound corporate track record and sustainable business model keeping balance between value and growth strategy.

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	Ratnamani Metals & Tubes Ltd.	7.89%
2	Tata Consumer Products Ltd.	7.43%
3	Ceat Ltd.	6.72%
4	Somany Ceramics Ltd.	6.54%
5	Galaxy Surfactants Ltd.	6.02%
6	Crompton Greaves Consumer Electricals Ltd.	5.92%
7	Radico Khaitan Ltd.	5.55%
8	TVS Motor Company Ltd.	5.34%
9	Blue Dart Express Ltd.	4.85%
10	Minda Industries Ltd.	4.46%





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

Data as on 28th Feb, 2021

Purnartha
EQUITY RESEARCH AND INVESTMENT ADVISORY

OUR INVESTMENT PHILOSOPHY

Our Investment Approach is to build a broad based portfolio of selected Equities of Companies based on our very robust research process.

Typically, we hand pick stocks of:

1. Companies that are likely to show volume growth typically across all cycles

2. Companies having owners' skin in the game

3. Companies that have strong balance sheet

We are market cap agnostic and sector agnostic and we typically create a "Multi Cap Portfolio" with a potentialfor growth.

Purnartha, its directors and employees have full conviction in its investment philosophy and invest in the same securities that are recommended for the clients.

Universe Building Non Negotiable Philosophy which Grows and evolve with time

We select companies that fulfill the following criteria:

• Companies with minimum 11 years of operations history

• Companies that have demonstrated consistency.

Sales growth - demonstrates pricing power and strong brand pull

Volume growth - shows that the management has customer centric products, capability to launch new products and manage scale

Operating cash flow growth - gives a good visibility on payment terms to vendors and suppliers, strengthening the balance sheet

• Companies that have **grown** 1.5x to 3x times the GDP growth in the past 10 years and are likely to show similar growth in the future.

• Companies that have regularly enjoyed a **lower debt or debt free status** and have **high management holding** (ensuring a leanbalance sheet, less vulnerable to fall, which otherwise happens due to high retail holding)

• Companies that have **lower drawdown and faster recovery** (since the businesses are closely linked to consumption, they exhibit lower drawdown in unforeseen situations and higher recovery due to the strength during drawdown)

• Companies that have built a portfolio cheaper than the Index on **EV/OCF basis** (captures the valuations/cash flow yields this indicator captures business attractiveness in term of yields when compared with benchmarks like Nifty/Bond /FD

Fall and rise in the markets: the dynamics

When markets go down, we fall too.

When markets recover, we recover faster and with a larger margin.

What you buy is important; Very important.

How much you buy is 100x important.

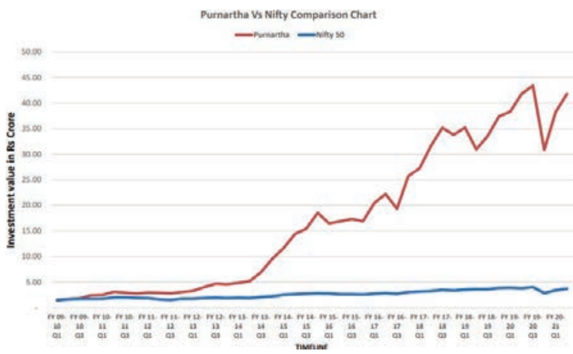
How long you hold is 1,000 times important.

The power of compounding: Rs. 25 lakhs invested at 25% return grows to Rs. 100 crores in 27 years!

• Min 11 years' operating history
• Volume growth of 10% + sales growth of 20%
• Operating cash flow growth of 20%
• Net cash balance sheet (for a non- financial company)
• Promoter's skin in the game

Purnartha advisory's performance snapshot

Rs. 1cr INVESTED WITH PURNARTHA IN 2009 BECAME Rs. 41.80cr v/s 3.72cr WITH NIFTY.



Client Portfolio Returns as on 31-12-2020

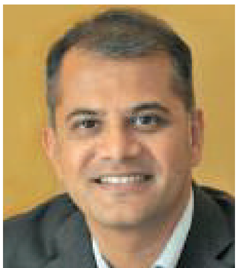
		PURNARTHA		NIFTY	
Tenure	Date of Inception	Absolute Returns	CAGR	Absolute Returns	CAGR
6 Years	05-Jan-15	241.78%	22.73%	66.54%	8.87%
5 Years	05-Jan-16	193.84%	24.05%	79.45%	12.40%
4 Years	03-Jan-17	133.24%	23.66%	70.94%	14.34%
3 Years	03-Jan-18	40.15%	11.90%	33.90%	10.21%
2 Years	01-Jan-19	44.91%	20.37%	28.72%	13.45%
1 Year	07-Jan-20	18.33%	18.33%	16.58%	16.58%

About Marcellus

Marcellus Investment Managers was founded in 2018 and currently has c.US$300m in assets under management and advisory. The founders have worked together for the past 15 years.

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



Pramod Gubbi, CFA - Head of Sales

- Formerly, MD Head of Institutional Equities at Ambit Capital
- CEO of Ambit Singapore
- Tech analyst at Clear Capital and also worked in the tech industry HCL Technologies and Philips Semiconductors
- Post graduate in Management from IIM Ahmedabad
- B Tech from Regional Engineering College, Surathkal (NIT, Karnataka)

Rakshit Ranjan, CFA - Portfolio Manager

- Formerly, Portfolio manager of Ambit Capital 's Coffee Can PMS, which was one of India's top performing equity products during 2018
- Ambit's consumer research head, voted as No 1 for Discretionary Consumer and top 3 for Consumer Staples
- At Clear Capital ranked amongst the top 3 UK Insurance analysts
- B Tech from IIT (Delhi)

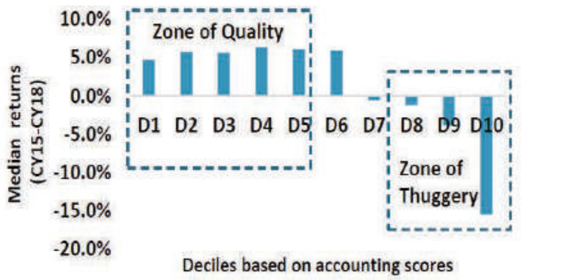
Key steps for identifying consistent compounders

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).

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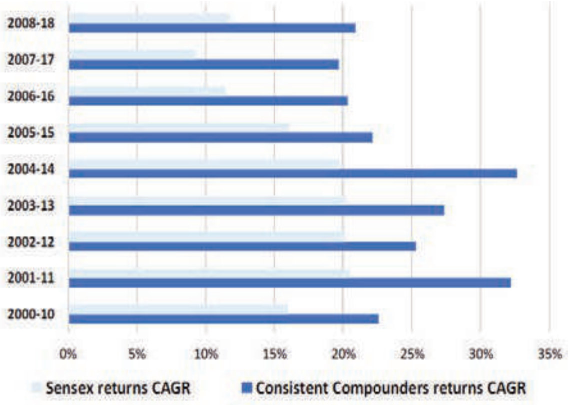
Methodology: We look at over six years of consolidated financials for the universe of firms. Wefirst rank stocks on each of the 10 ratios individually (outlined in the table on the left) These ranks are then cumulated across parameters to give a final pecking order on accounting quality for stocks.

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.

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

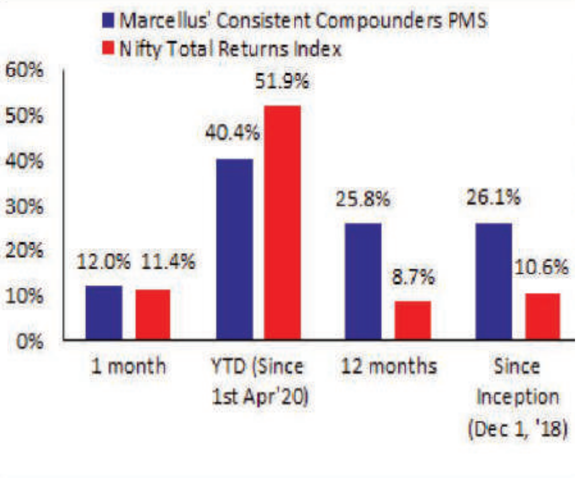
"Most companies tend to focus on short term results and hence that makes them frequently do things that deviate away from their articulated strategy these diversions take them away from the path they have to travel to achieve their long term goals" - **Rama Bijapurkar**
Leading market strategy consultant

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

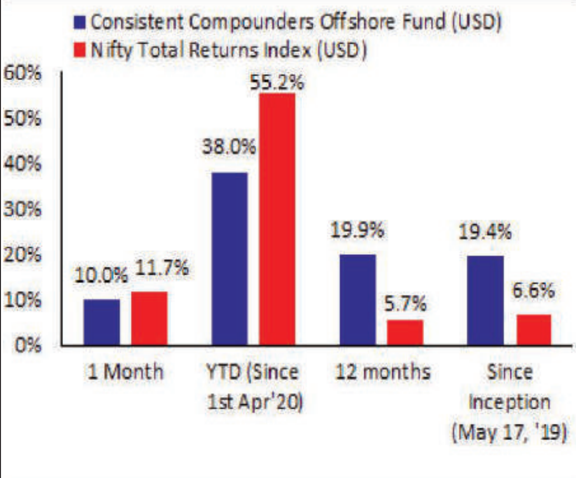
Fund performance (as on 30 Nov'20)

Exhibit 1a: Marcellus' Consistent Compounders PMS performance as on 30th Nov'20 (INR)



Source: Marcellus, Bloomberg; All returns are net of fees and expenses (TWRR / XIRR); Since inception returns are annualised; Other time period returns are absolute

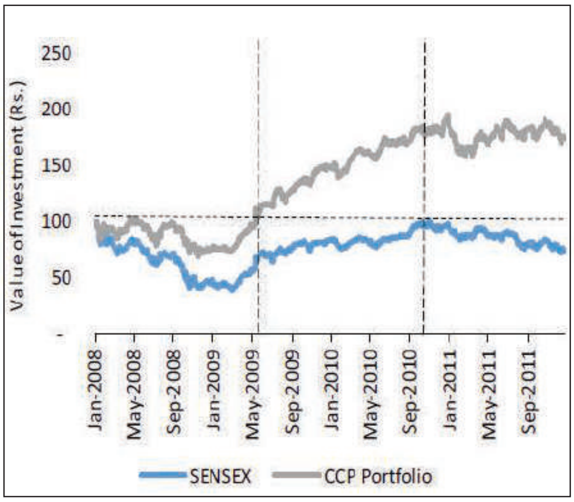
Exhibit 1b: Consistent Compounders offshore fund advised by Marcellus - as on 30th Nov'20 (US$)



Source: Marcellus; All returns are net of fees and expenses (TWRR / XIRR); Since inception returns are annualised; Other time period returns are absolute

Consistent compounders fall less and recover sooner and sharper

Exhibit 2: CCP portfolios recover much sooner and sharper compared to the broader stock market



Stock name	% fall between Jan'08 to Mar'09	Time to recovery (in months)
Asian Paints	-42%	4
CIPLA	-4%	1
HDFC bank	-53%	7
HDFC ltd.	-59%	18
Hero Motocorp	35%	N.A.
Infosys	-28%	3
SENSEX	**-61%**	**20**

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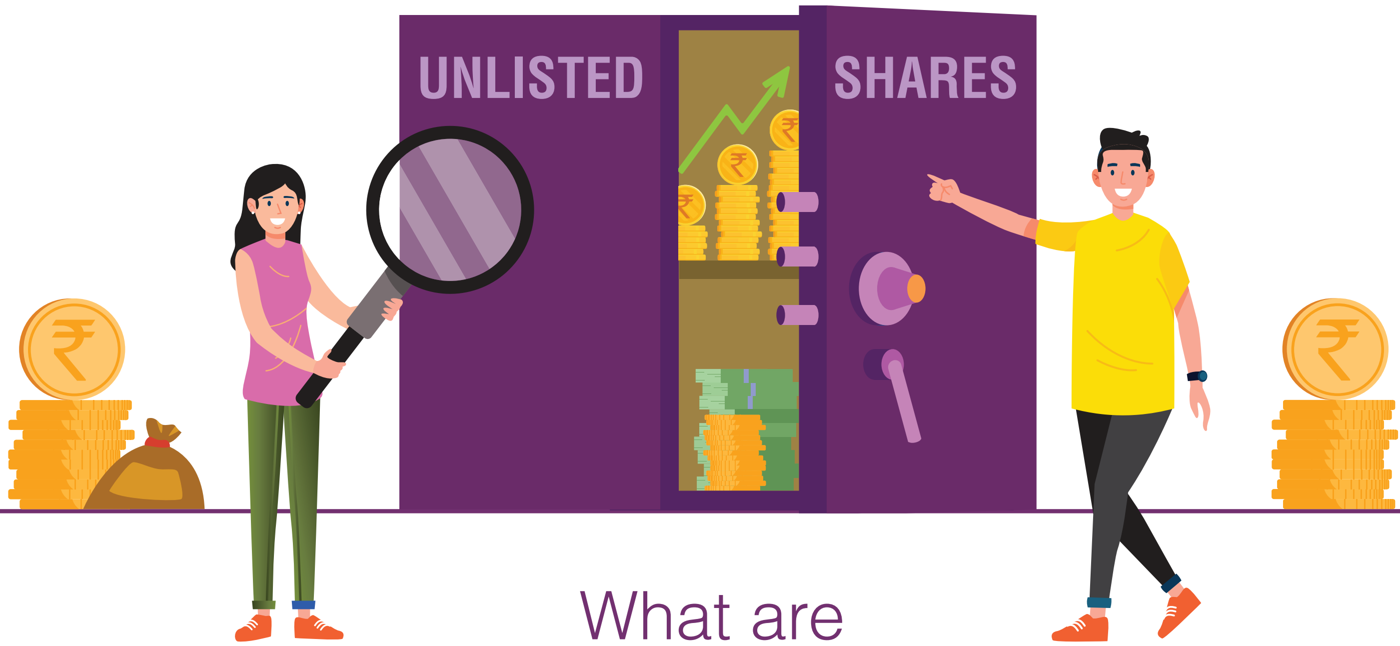

What are
Unlisted Shares*?

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

Reliance Retail | HDB Financial Services | Nazara | Chennai Super Kings | Studds | Kurl-on

Philips | Otis | Carrier | CIAL Cochin International Airport Limited | HeroFinCorp. | Tata Technologies

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March 2021

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