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INDEX

PCG Communique

From the Desk of the PCG Head

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Outperformance Continues but be Cautious…

The last 2 months of the Financial Year, Indian Market has given a rally from 16900 to 18500. It was a complete outperformance Vs the global peers. Indian market has given a return of 9.46% in Nifty. The first two months of FY24 gave reason for Indian investors to cheer. As per provisional figures FII's has been net buyers of 27,856CR in Indian Market and DII's has been net sellers in the market. The Sensex rose 2.07 percent in May, while the Nifty gained 2.13 percent, in spite of the concern of US debt ceiling. The rally was driven by a number of factors, including FPI inflow, in-line corporate earning estimates for the quarter ending March 2023, lower inflation, RBI pause on interest rate cuts and the projection of the rate cut by the last quarter of this calendar year.

When it comes to the individual sectors, most of them generated positive returns, barring a few. The sector which has shown outperformance was from Auto, Banking, NBFC, FMCG, Real Estate & Ancillary. IT, Metals & Pharma has been the laggard and Reliance hasn't participated in the rally. One of the reasons for such performance may be moderating inflation and interest rates, which are beneficial for most of the sector. The expectation of lower interest rates is also helping the broader market to outperform.

According to the NSDL figures indicate that FIIs investments has poured into the sectors:

FII Tracker: Sectoral flow in first fortnight of May

Sectors	FII flow from 1-15 May, 2023
Financials	8,382
Auto	4,705
Oil & Gas	2,319
Healthcare	1,957
FMCG	1,664
Capital Goods	1,153
Consumer Services	934
Others	864
Services	743
Chemicals	688
Construction Materials	607
Telecommunication	594

Once of the reason for the FII's flow in India is also because of the reason of the China's growth taking a back seat and capital flows are entering into the Indian Market. The latest GDP numbers also indicate that the economic momentum is fairly widespread and India Inc.'s animal spirits are already out. The overall GDP for the full year crossing the projection of the 7% is in it itself talks about the govt efforts towards infra spend and thrust towards manufacturing, although Private consumption remains the main source of disappointment.

Globally picture looks bit bleak. China's economic recovery is in danger of sputtering after figures shows a further contraction in manufacturing and softer services activity. China isn't recovering as fast as many people had hoped. In the US, job growth and vacancies at employers exceeded forecasts, underscoring a still-robust labour market that's bolstering the world's largest economy. While inflation in Europe cooled more than forecast, the stubborn nature of price pressure is likely to persuade central bankers to push ahead with higher interest rates.

Outlook in June:

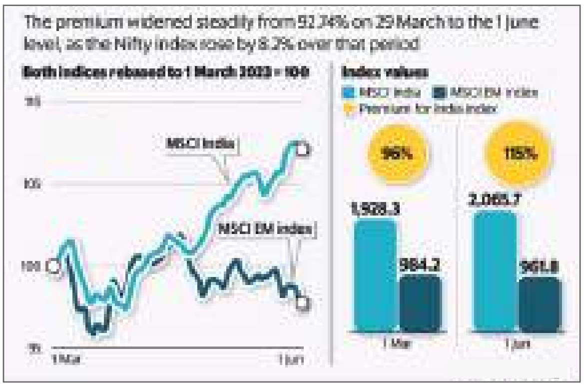
Among the key events to watch out for in June include the monetary policy announcements by the RBI, how the monsoon is going to turn up, US FOMC meet and the inflation figures.

Coming to Equity market, it is trading a higher range of the valuation. The current year Nifty EPS ended @820 and on this we are expecting a 14% growth in the earning. The projection by most of the analyst for Nifty earning for FY24 will be @ 940 and with this estimate, markets are trading at a 1 year forward P/E multiple of 20 which is slightly on a higher range Vs the long term average of 19.1. We expect some kind of profit booking can take place and hence the right strategy is to wait for the market to settle to build up some long position for a longer term horizon.

Indian stocks have outshine their emerging-market (EM) peers after a brief spell of underperformance between December 2022 and March 2023, with the MSCI India Index trading at an eight-month high premium to the MSCI Emerging Market Index.

The MSCI India Index premium widened to 114.75% on June 1, the highest since September 12. The premium widened steadily from 92.74% on 29

March to the 1 June level. This was reflected by the Nifty 50 rising by 9.46% to 18,500 from the lows of 16900. The rise in the premium also means Indian stocks' valuations are getting richer. Data shows that the current trailing 12-month PE ratio of MSCI EM is at around 10.75 times, while the India index is trading at 23.06 times.



Sector to Watch:

Sector which looks promising from our perspective is Real Estate Ancillary & FMCG. My hypothesis towards this most of the Real Estate ancillary companies has shown a gross margin improvement vs the previous qtr. If we look at some of the names like Asian Paint, Pidilite, Astral pipes we have seen a gross margin improvement of anywhere between 10% to 40%. Most of these companies have high FCF and are debt free and cleaner balance sheet. With India rising per capita income, more nuclear family living, rural people migrating to urban for jobs & better living standard, real estate demand will be on a rise and real estate ancillary will be a theme to look at.

We are going to go for elections in the 5 states, followed by the Lok Sabha election in May 2024. Govt impetus will be high on rural spending and hence with good monsoon and govt rural spend, we can see more money in the hand of rural population. Along with cooling raw material prices we believe FMCG sector is poised to do well.

Wish you Happy Investing…

Market Commentary

The Nifty index ended the May month on a positive note as it closed at '18,499' as compared to April end '18,065', an increase of 2.4%. Similarly, Sensex ended the May month at 62,622 with a positive return of 2.50%.

Indian equity benchmarks ended the passing week with a gain of around one and a half percent with frontline gauges recapturing their crucial 62,500 (Sensex) and 18,450 (Nifty) levels ahead of key gross domestic product data due next week. Sentiments largely remained upbeat during the week buoyed by a decent Q4FY23 earnings print, even though the quality of earnings was weak. Global cues too remained mixed as investors remain worried about the ongoing debt ceiling negotiations in the US, the resilience of the banking space and the geopolitical situation in Europe. Traders took encouragement with a Reserve Bank of India (RBI) article stating that India's growth in the April-June quarter is likely to be driven by private consumption, supported by reviving rural demand, and renewed buoyancy in manufacturing. Some support also came as the federal finance ministry in its monthly economic review said that domestic demand will aid India's economy and help lay the foundation for the capex cycle, despite global headwinds that pose a downside risk to growth. However, sentiments turned pessimistic during the week as traders turned anxious with the finance ministry in its report stating that there are downside risks to growth and upside risks to inflation, partly channeled through the external sector and partially originating from weather uncertainties. It said consumption has shown steady and broad-based growth, while investment in capacity creation and real estate is finding traction. Sentiments also got boost with foreign brokerage expressing confidence in India's enduring structural narrative and believes that it is only a matter of time before the BSE benchmark Sensex crosses the remarkable 1,00,000 milestone.

The S&P Global India Manufacturing PMI increased to 58.7 in May 2023 from 57.2 a month earlier, exceeding market forecasts of 56.5. This was the strongest improvement in factory activity since October 2020, boosted by strength of demand. Output growth was at a 28-month high; new orders expanded for the 23rd month running, with the rate of increase the steepest since January 2021; and both overseas orders and employment increased the most in six months. Meanwhile, the rate of backlog accumulation was slight, but the quickest in seven months. Further, increases in input buying sustained and boosted inventory growth. Average lead times on inputs shortened the most in 8-1/2 years. On inflation, cost burdens rose at a moderate rate that was well below its long-run average. However, selling price inflation hit a one-year high on the back of a supportive demand environment. Finally, sentiment touched a 5-month high, linked to publicity and demand resilience.

The S&P Global India Services PMI increased to 62.0 in April 2023 from 57.8 in the previous month, beating market forecasts of 57. The latest reading pointed to the strongest growth in the sector since June 2010, as both output and new orders rose at the fastest pace since June 2010, with export business expanding for the third month in succession and at the fastest pace over this period. At the same time, employment rose for the 11th month running despite growing only marginally. On the pricing front, input cost inflation accelerated, while output cost inflation rose to a four-month high. Looking ahead, business sentiment improved amid marketing efforts, plans to price competitively, and an increased focus on customer relations.

Annual inflation rate in India slowed sharply to 4.7% in April of 2023, the lowest since October of 2021, from 5.7% in March, and slightly below forecasts of 4.8%. Food inflation came in at 3.84%, the lowest since November of 2021, with a fall in prices for vegetables (-6.5%), oils and fats (-12.3%) and meat (-1.2%), partially offsetting a rise in cost for cereals (13.7%), milk (8.9%) and spices (17.4%). Also, the cost of sugar and confectionery went up 1.9%. A slowdown was also seen in the cost of fuel and light (5.5% vs 8.9%), miscellaneous (4.9% vs 5.8%), clothing and footwear (7.5% vs 8.2%). On the other hand, prices rose faster for pan, tobacco, and intoxicants (3.5% vs 3%) and inflation was little changed for housing (4.91% vs 4.96%).

The country's merchandise exports fell in April 2023. India's merchandise exports in April fell to $34.66 billion as compared to $39.70 billion in the year-ago period. India's overall exports (Merchandise and Services combined) in April 2023 are estimated to be USD 65.02 Billion, exhibiting a positive growth of 2.00 per cent over the same period last year. Overall imports in April 2023 are estimated to be USD 66.40 Billion, exhibiting a negative growth of (7.92) per cent over the same period last year. The country's merchandise imports dropped 14.0% to $49.90 billion as compared to $58.06 billion a year before.

The Goods and Services Tax (GST) collections for the month of May 2023 stood at ₹1,57,090 crore which is

11.5% higher than the GST revenue in the same month last year, which itself was ₹1,40,885 crore. In May, revenue from domestic transactions (including import of services) are 11% higher than in the corresponding period a year ago.

India's foreign exchange reserves have again showed negative signs as it decreased by US$2.06 billion to $593.47 billion in the week through May 26. Foreign currency assets decreased by $1.25 billion to $524.94 billion for the week ending May 26.

The U.S. markets ended mostly lower during the passing week as investors jitter grew over lack of progress in U.S. debt limit talks. U.S. President Joe Biden and House Speaker Kevin McCarthy said they held productive talks but there was no agreement on how to raise the government's $31.4 trillion debt ceiling. The lack of progress on raising the U.S. government's $31.4 trillion debt limit ahead of a June 1 deadline, with several rounds of inconclusive talks, has made investors edgier as the risk of a catastrophic default looms larger. Cautiousness also prevailed in the markets as the Federal Reserve released the minutes of its May monetary policy meeting, indicating uncertainty about the outlook for interest rates. The minutes revealed participants generally agreed that considering the lagged effects of cumulative tightening in monetary policy and the potential effects on the economy of a further tightening in credit conditions, the extent to which additional rate hikes may be appropriate had become 'less certain.' Some participants felt additional rate increases would likely to be warranted at future meetings due to expectations that progress in returning inflation to 2 percent could continue to be unacceptably slow.

European markets witnessed selloff during the passing week weighed down by concerns about a potential debt default in the U.S., weak economic outlook, and prospects of further policy tightening by central banks. Worries about slowing economic growth and worsening ties between Washington and Beijing dampened sentiments. Sentiments also remain dampened after the Eurozone manufacturing sector's contraction deepened in May to hit a 36-month low due to weak demand and a fall in selling prices. France's CAC 40 edged lower amid growth concerns after a survey showed business activity in the country grew at the slowest pace in four months in May. The flash reading for the May composite PMI - which comprises both the services and manufacturing sectors - fell from 52.4 to 51.4 - marking the lowest level since a January reading of 49.0. The street forecast a reading of 52.0 points. Germany's DAX fell during the week as growth concerns resurfaced after official data showing that German economy entered a technical recession in the first quarter of this year. GDP declined seasonally and calendar adjusted 0.3 percent from the fourth quarter of last year as household consumption slumped amid the rising cost of living that is fueled by high inflation.

Asian markets ended the passing week mostly in red as lingering concerns about economic slowdown, and fears of a U.S. debt default rendered the mood bearish. Chinese Shanghai edged lower as sentiments remain dampened amid fears of a resurgence in China-U.S. trade tensions after China banned U.S. chip maker Micron from selling its products to Chinese companies working on key infrastructure projects. Growth concerns also weighed after recent economic data suggested that a post-COVID rebound in the country was running out of steam. Meanwhile,

Hong Kong's Hang Seng Index tumbled 1.9 percent to 18,746.92 following disappointing earnings from electric-vehicle maker XPeng Inc. Seoul stocks ended on a flat note as data showed business sentiment improved slightly for June amid expectations that earnings in key sectors and domestic demand may improve. Japanese shares edged lower from a 33-year high on optimism over the Bank of Japan maintaining its ultra-dovish policy. In economic news, Japanese manufacturing activity expanded for the first time in seven months in May, while growth in the services sector hit a record high.

Moreover, overall consumer prices in the Tokyo region of Japan were up 3.2 percent on year in May. That was shy of expectations for an increase of 3.9 percent and was down from 3.5 percent in April. Core CPI, which excludes the volatile costs of food, also was up 3.2 percent on year in May - beneath expectations for a rise of 3.3 percent and down from 3.5 percent in the previous month. Meanwhile, producer prices in Japan were up 1.6 percent on year in April, the Bank of Japan said on Friday. That exceeded expectations for an increase of 1.4 percent following the upwardly revised 1.7 percent gain in March (originally 1.6 percent). On a monthly basis, producer prices rose 0.2 percent - easing from the 0.6 percent gain in the previous month.

The S&P Global US Manufacturing PMI was revised slightly lower to 48.4 in May of 2023 from a preliminary of 48.5 driven by a solid contraction in new orders amid muted demand conditions. Efforts to run down stocks were met by a steeper contraction in purchasing activity, hinting at lower production growth in the coming months. Sharply falling demand for inputs contributed to an unprecedented improvement in vendor performance. On the other hand, output and employment continued to increase, as firms expanded their capacity to fulfill existing backlogs of work amid improved supply conditions. On the price front, input costs fell for the first time since May 2020. The decrease in costs contributed to the slowest rise in selling prices for almost three years as firms also sought to become more competitive and boost new sales. Also, the degree of confidence was solid overall.

The HCOB Eurozone Manufacturing PMI came in at 44.8 in May 2023, slightly up from a preliminary estimate of 44.6. Still, the latest PMI reading signaled a further decline in the health of the bloc's manufacturing sector, and one that was the steepest in three years. Output declined the most since last November and new order inflows dropped at the quickest pace in six months, with exports contracting at one of the sharpest rates on record. Backlogs of work fell at a sharper rate and the pace of job creation was the weakest in 28 months. On the price front, input costs dropped at the fastest pace since February 2016 amid reports of falling supplier charges, as well as decreases in energy prices. Output charges were down for the first time since September 2020. Looking ahead, business sentiment weakened to a five-month low.

The au Jibun Bank Japan Manufacturing PMI was at 50.6 in May 2023, compared with flash data of 50.8 and after a final 49.5 in April. This was the first growth in factory activity since last October, supported by a recovery in domestic economic conditions. Output rose for the first time since June 2022 and at the fastest rate in a year, and new order increased to a 13-month high. Meanwhile, employment added the least in 26 months, as backlogs of work fell for the 8th month in a row. Further, foreign sales dropped, especially to China; and buying levels continued its solid decline since August 2022. The index of supplier's delivery time was above the 50.0 level for the first time in over 3 years. On the cost side, input price inflation touched its lowest since April 2021, while output prices advanced the least in 3 months. Finally, sentiment was at a 16-month peak, on hopes of a further rebound in the economy and an end of customer destocking.

Going Ahead

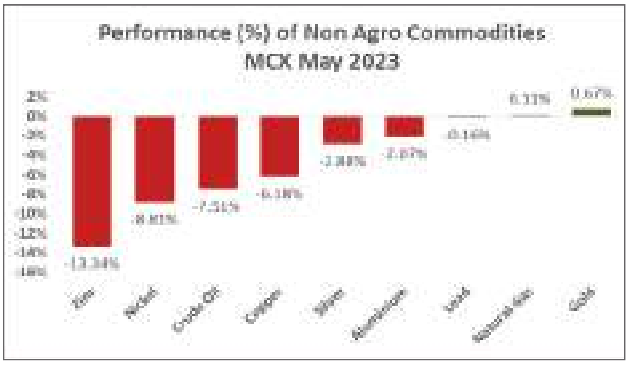
In the recent past, the global economic outlook has become more optimistic. While a few European nations are likely to experience a few quarters of economic contraction in 2023, according to official agencies, neither the United States nor the European Union is expected to experience a recession. Since October 2022, inflation rates in most countries have declined significantly. It appears that most of the central banks have either reached the apex of policy tightening for this cycle or are on the verge of concluding the rate hike cycle. Marginal improvement in the growth outlook, as well as peeking out of inflation and monetary policy rates are positive for the financial markets and investor sentiment.

The nearly 10% increase in the large-cap indices during the current fiscal year is making investors nervous. It is true that several global challenges persist. These include the continuation of the Russia-Ukraine conflict, tensions between China and the United States, fragile growth in most of the world, a rise in global protectionism, and the likely delayed adverse impact of aggressive monetary tightening on the growth performance of most economies. There are several domestic obstacles as well. These include the lack of a significant increase in corporate capital spending, relatively weak consumer demand, the likelihood that the El Nino effect will have an impact on India's monsoon, and the rise of populist announcements in the run-up to elections in various states and the 2024 general election. Considering these factors, a flat to modestly correcting equity market soon cannot be ruled out. However, there are substantial grounds for optimism.

During the current fiscal year, the ratio of raw materials to net sales for the corporate sector is likely to decrease significantly due to softer commodity prices. This may result in significant margin expansion and, consequently, robust earnings growth, even if demand volume does not recover significantly. Analysts anticipate a nearly 15% to 20% increase in earnings for the current fiscal year. The earnings growth of mid-and small-cap companies is likely to outpace that of large-cap companies. Since corporate earnings growth plays the most significant role in determining the course of the equity market over the medium term, strong earnings expectations are the primary reason for equity investors' optimism. Despite the recent upswing, it is important to note that the current market levels are not significantly different from those of October 2021. The current valuation of Indian stocks is, if anything, is more attractive than the average of the past five years.

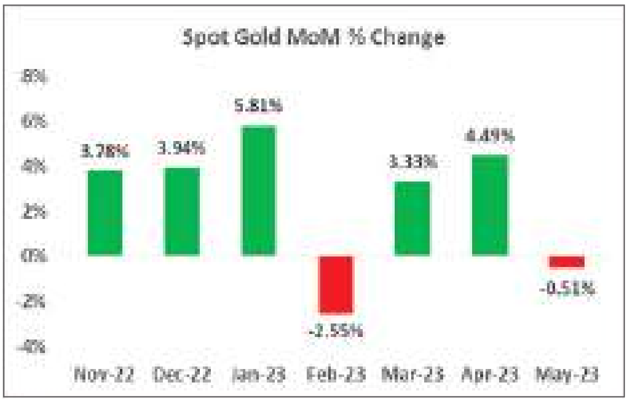
In addition to the equity market, the outlook for the Indian bond market is also positive. Despite the high base from the prior fiscal year, the current fiscal year's GST collection has been encouraging. During the current fiscal year, the profit transfer from the Reserve Bank of India to the Government of India has been nearly double what was anticipated in the budget. The surplus may be used to fund additional expenditures or to reduce the fiscal deficit. It would have a positive effect on the Indian bond market.

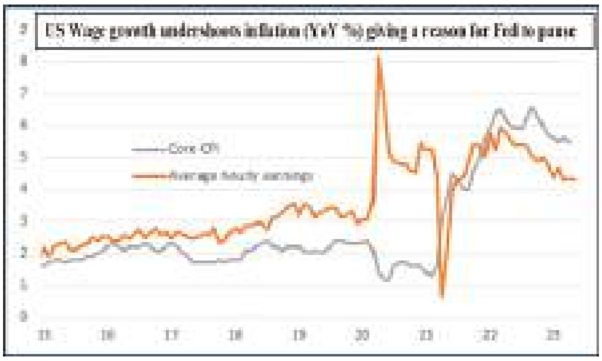
Commodities Outlook



Precious Metals

Gold prices, which zoomed to near all-time highs in the first week of May to around $ 2080 per ounce on COMEX corrected substantially during the month as touched a two-month low towards the end of the month. Concerns of US Debt ceiling subsided during the second half of the month as optimism the US would be able to resolve its debt-ceiling standoff encouraged risk-taking and reduced haven appeal of yellow metal. Optimism over prices persisted earlier in the month as Fed Chair Jerome Powell said that inflation was "far above" the central bank's objective, but added that it may be unnecessary to raise interest rates further due to the stress in the banking sector. The dollar advanced to an over six-week high during May month, pressuring metal prices as Major Fed officials also offered a hawkish outlook on interest rates during the month which led to renewed speculation that US Fed to hike another 25 bps.





Outlook: Renewed Dollar strength, Moderating Jobs growth, could keep safe haven demand limited for current month.

Gold is expected to witness consolidated moves with a downside bias in the initial half of the month after witnessing significant correction during the May month as focus shifts to sticky inflation & moderating Jobs growth. Attention this month will be on US Fed member's policy meet due in the 13 – 14 June as US Fed may signal a pause also to give signals of a rate hike in its July meet dependant on data which could lead dollar bulls to regain momentum on the higher side. On MCX, Gold prices touched a fresh two month low below Rs. 60,000 per 10 gm, while price movement suggest it may witness further correction in the near term witnessing downside moves upto 59200 – 58500 range. Overall trading range to remain Rs. 61,500 – 59200 per 10 gm. in Aug. Contract.

Base Metals Update

Base Metals complex witnessed the worst month of the current year as Copper prices erased almost all yearly gains seen during the start of the year. Weaker-than-expected demand for copper from China dampened the sentiment for the base metals. Copper, traded down by more than 8% in

May month in key London Metal Exchange and domestic futures platforms. A similar trend was witnessed in the China Shanghai futures as well.

Copper prices were on a bullish trajectory in the first quarter of the year on hopes that China's property market would recover following the pandemic-induced slowdowns. However, a string of recent disappointing economic releases from the country pointed to a weak demand outlook that battered the metal prices in the past few weeks.

Though latest industrial output data from China showed a growth of 5.6% in April when compared to a year earlier, it still missed expectations by a large margin. Additionally, retail sales numbers also came in lower than expected at 18.4% against a forecast of a 21% increase.

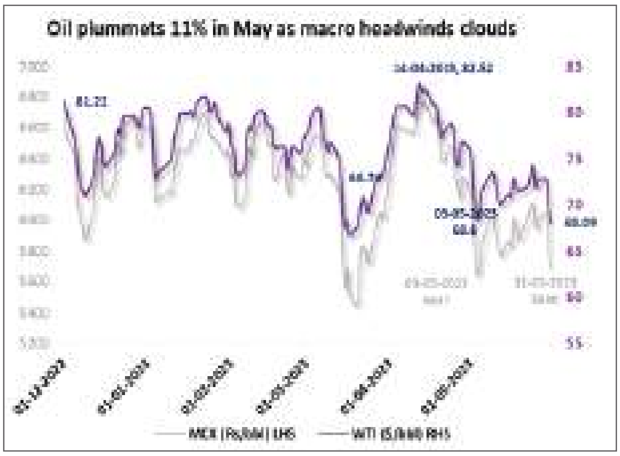
As consumer prices barely grew in April, a cooling of demand was clearly visible in the country. The inflation rate of 0.1 percent year-on-year growth in April was also the slowest since 2021. In addition, due to a global downturn, imports and exports slowed down in the same period.

China's exports increased by 14.8% yearly in March but dropped to 8.5 % in April. In the meantime, imports fell by 1.4% in March, and the decline in imports grew to 7.6% in April.

Volatility in Dollar Index on global economic uncertainties amid Expectation of China stimulus measure to prop up property market may keep prices higher in June month.

China’s economic recovery has lost momentum in recent weeks after an initial burst in consumer activity. Data last month showed industrial output, retail sales and fixed investment growing at slower paces than expected, while inflation is close to zero and consumers have been reluctant to borrow. Economists surveyed by Bloomberg now expect China’s gross domestic product to expand 5.5% this year from a year ago, edging down from a prior estimate of 5.6%. The government has set a fairly conservative growth goal of around 5% for the year. Major economist estimate a 25 basis-point reduction in the RRR before the start of next quarter would give the economy a bigger growth boost than a 10 basis-point cut in the PBOC’s key interest rates. Economists surveyed by Bloomberg predict the rate on the one-year policy loans will be left unchanged this year. Overall the trend in prices pointed to volatility this month, as prices had bounced back in current week from below $ 8000 levels on LME forwards on speculation China working on a new basket of measures to support the property market after existing policies failed to sustain a rebound in the ailing sector. On the other hand, with expectations of steady interest rates in the US, we may expect further hike in prices towards $ 8400 – 8600 per tonne on LME 3M forwards. On MCX this may translate to a near term bounce upto Rs. 735 – 740 per Kg in June futures contract.

Crude oil prices revisited the lows in May as macro concerns widened



In the oil markets, what we saw last month was that the macro headwinds widening as the US debt ceiling remained on the tenterhooks for most of May, monetary tightening in the US continuing, the largest economy of the Eurozone, ie Germany going into contraction and above all these, the China’s economic recovery post reopening remained patchy. All of these eventually raised concerns over oil demand downturn, pushing WTI oil once again toward $67-$68 level by the end of May. Oil markets largely side lined the upcoming US summer travel demand that otherwise tends to keep crude and product markets positive in the month of May-June.

In-between the macro worries, oil prices did witnessed temporary spike toward $74 level as a sharp and a surprise drawdown in US inventories of both crude oil and gasoline during the week ended 19th May provided temporary support to the prices. US refinery utilization remained at a solid 91.7% of nationwide capacity ahead of the summer travel season. Meanwhile, supply cut signals from the OPEC member, Saudi, too led to an increased volatility in the prices during the month. But, as mentioned earlier macro indicators indicated recession-led demand downturn leading to yet another month of fall.

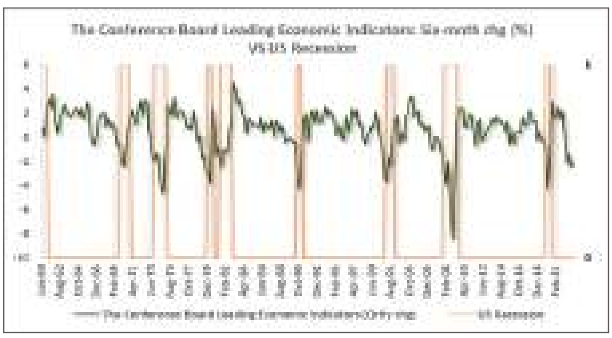
Both the global benchmarks, WTI and Brent crude oil prices plunged 11% and 8.6% and settled at $68.09 and $72.66 respectively while in India, the

MCX Crude oil prices too plunged around 8% to close the month at Rs 5,690 per bbl.

After a muddy May however, the month of June started with lot of optimism as the OPEC meeting held on 4th June surprised markets with Saudi Arabia announcing an additional voluntary cut of 1 million b/d for the month of July, on top of existing voluntary cut of 500,000 b/d, announced in April. The kingdom also said the 1 million b/d cut could be extended depending on market conditions. Saudi's oil output would drop to 9 million barrels per day (bpd) in July from around 10 million bpd in May, the biggest reduction in years. OPEC+ has in place cuts of 3.66 million bpd, amounting to 3.6% of global demand, including 2 million bpd agreed last year and voluntary cuts of 1.66 million bpd agreed in April. These output cuts which were valid until the end of 2023 would now extend until the end of 2024. The output cut decision by Saudi could be considered moderately bullish and a lot would depend on how long it maintains output at 9 million bpd over the next six months amidst the widening recessionary concerns.

Talking about the oil balance in 2023, the expected deficit in H2 2023 is mostly driven by China demand that will offset a drop in consumption from the US and European nations. Nonetheless, a recent decline in China's manufacturing PMI, after April's sequential drop, amounts to a steady warning on demand for crude from the largest consuming nation. Oil prices have been positively correlated with the PMI, except during the pandemic and Russia's invasion of Ukraine. Thus, we cannot entirely rule out the possibility of an economic stagnation ahead and also a slower rate of increase in oil demand despite China's reopening.

Meanwhile, despite rising probability of rate hike pause by the Fed in its June meeting that could provide a support to the prices, recessionary fears still lingers in the US later in 2023, curbing a major oil price rally this year. A leading historical indicator (the conference Board leading economic indicator) incorporating widely guage economic activities including US jobs growth, stock prices, housing etc, is pointing to the contraction in the US in 2023.



Talking about the current US oil product demand and the inventory levels, US demand for the ‘big three’ refined products – gasoline, diesel and jet fuel looks to be back on track for typical seasonal growth during summer. Combined demand ticked up last week holding 2-3% above 2021 and 2022 seasonal levels. On the inventory front, U.S. crude oil inventories are 2% below the five year average for this time of year while total motor gasoline and distillates inventories are 8% and 18% below 5-year average. Taking into consideration the below average product inventories and higher summer demand stockpiles could tighten further.

Saudi’s supply cut decision to provide floor to the oil prices, but still upside may remain capped on macro drop back

Oil prices have seen some recovery in June and are hovering near $72 levels. With risk on sentiments returning and the US summer season demand kicking off, oil prices should continue the positive momentum toward $76 and even $80 levels. Saudi’s output cuts for the month of July will tighten supplies next month and in case of any worsening macro drawbacks, these cuts could be extended beyond July also, thus providing floor to the prices. However, demand picture is not so rosy and this will keep upside capped.

Half of 2023 oil demand growth will be coming from China this year, but since the nation’s economic recovery has been patchy and uncertainty still surrounds several key sectors of the economy, we don’t see any sustainable up move in oil prices despite supply cuts. The economic slowdown will last into next year, with inflation declining in the US and a recession arriving in Europe. Thus, all in all we could say that the OPEC’s decision could provide floor to the oil prices and but that doesn’t mean a sharp recovery. For a sustainable up-move, there need strong demand signals from China. Technically, oil prices may find immediate support near $67 levels and a strong support at $64 while immediate resistance is near $76 and a close above the same will take prices upward toward $79.50/83.50 levels. For MCX Crude oil immediate resistance is at 6250 and above that 6,600 while support is at 5650 initially and strong support at Rs 5,400.

Currency Outlook

Dollar Index

Tug of War between Fed funds Rate hike-Pause-Cut causing volatile Dollar Index.

In the entire month of May, Dollar index‘s momentum has been majorly revolving around Fed interest rates decision in June. Earlier this month post May fed minutes indicated rate cut by this year-end with majority consensus pricing in the dollar index leading to downfall. However, with indication of economy slow down the probability shifted its play around rate cut/pause. Fed speakers believed further hike could keep banking system under pressure and would increase borrowing costs. With the view market were pricing on the pause. But table turn around post the debt ceiling resolution passed and speculation of fed speakers went on at least one rate hike in June. Last week of May volatile sessions were witness amid market pricing in rate hike- pause for this month. Above all, the dollar index will now be data dependent and hence volatile up till June 13-14 and decision on rate policy will be cumulatively taken considering slowdown in economy.

Mixed messages on US jobs leaves the market little wiser

May month data release on Non-Farm payrolls and unemployment rate change indicates mixed story on economic growth front. The May US jobs report showed the economy added 339,000 jobs in May, well above the 195,000 consensus expectation supportive for Dollar index. But unemployment and wages tell a different story the unemployment rate jumping to 3.7% from 3.4%. The contradiction between strong demand for workers amid an not enough of supply yet softening wage pressures is remarkable, but something the Fed will happily take. Market rate hike expectations have edged a little higher on the back of this very mixed report. Such divergent outcomes between the household survey and the payrolls number mean that the June FOMC "skip" narrative is seemingly holding for now.

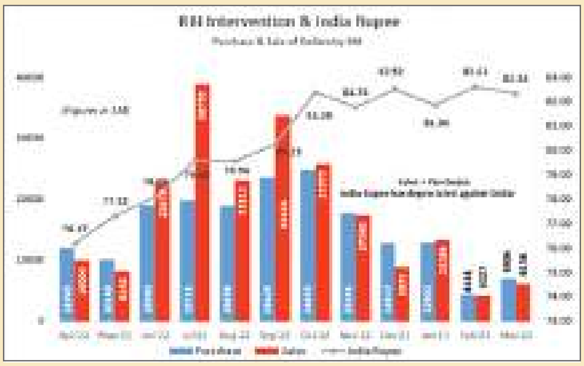
Dollar Index Outlook

Similar to April, USD performance in aycontinued to be range but with great volatility. The most important driver was the FOMC meeting, lethargic Debt ceiling decisions, which brought more ambiguity.

Understandably, the Fed is not hinting at what direction policy might go next, because credit tightening remains a concern and could do the work of rate hikes without raising rates further. Powell has made it clear that there were going to be associated costs and pain with bringing inflation down. One of those costs is the regional banking crisis in the US, which continues. The turmoil in the financial system might be associated with the recession and the Fed funds rate being at its highest rate since 2007. This is very important because it is making market participants price rate cuts from the Fed to stop regional bank bleeding and likely the US economy very soon. Therefore, the US dollar might continue sideways up till mid-June as next data to focus in CPI. However, given, a poor US or global economic performance would help the US dollar increase as a haven currency.

Indian Rupee Update

RBI Intervention to shield Rupee from Volatility



In the midst of the Ukraine war and the most rapid US rate hike cycle in decades, the RBI intervene $1.6 billion a day in the foreign exchange market to shield the rupee from excessive volatility in FY23. The RBI's dollar sales or purchases either drain out or add to liquidity in the banking system. Not just the rupee, these interventions had also stabilised the forward premium, and thereby managed domestic macro conditions, including swap curves, system liquidity an short-term interest rates, which shape domestic monetary policy.

India's shrinking current account gap provides a breather for Indian Rupee

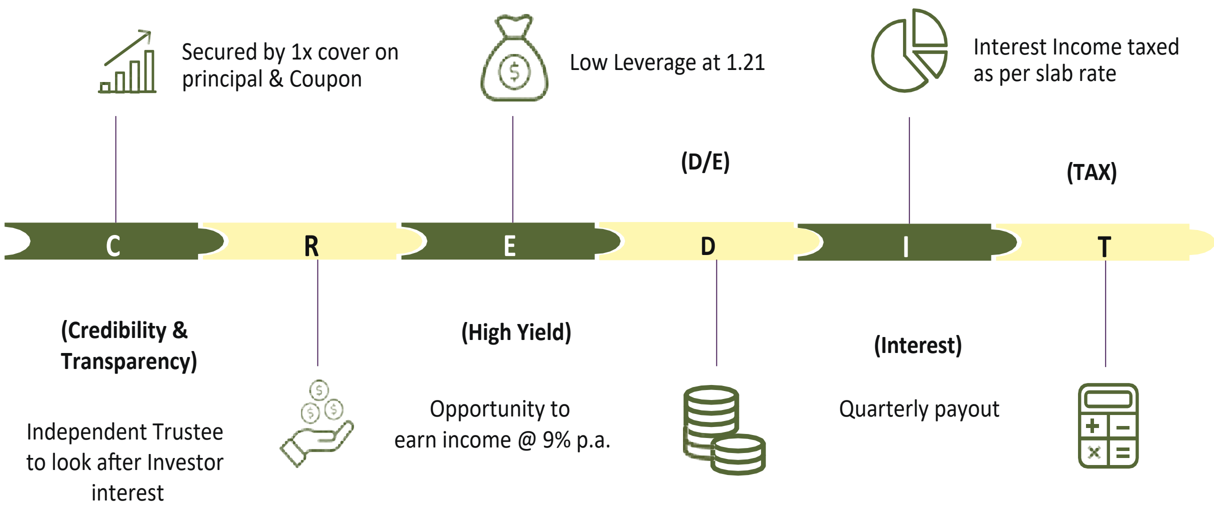
The current scenario suggests the current account deficit is narrowing amid increase in exports post pandemic. Riding on the IT and telecom boom, India's service exports have nearly doubled. It's a bright spot amid huge trade deficit for merchandise exports. The lower prints will provide a tailwind to the rupee, which is vulnerable to a selloff, given the twin deficits in the nation's budget and current account make it more reliant on foreign inflows. A narrowing shortfall will also take the pressure off the central bank to sell foreign exchange from its reserves to stabilize the currency and check imported inflation. Although currently we are seeing the gap narrowing has been steady amid banking system liquidity and decline in borrowings and lending. However in broader terms viewing the past scenarios, lower trade gaps have being giving hopes of better rupee fortunes against dollar.

Rupee Outlook

We expect the rupee to appreciate in anticipation of ease in dollar amid improved economic data. GDP grew 6.1% in Q4 FY23, pushing the overall growth rate to 7.2% for FY23 despite global headwinds. The RBI's heavy foreign exchange buying since April has injected enough liquidity into the system that we no longer expect it to cut its CRR in June. A dovish pivot would pave the way for the central bank to start easing as needed should liquidity conditions tighten and as inflation falls. Additionally, softening of crude oil prices to support INR. Even in the coming month, 83.00 would act as a major resistance while the pair is expected to dip towards 81.80.

ANCHOR (Market Linked Debentures)

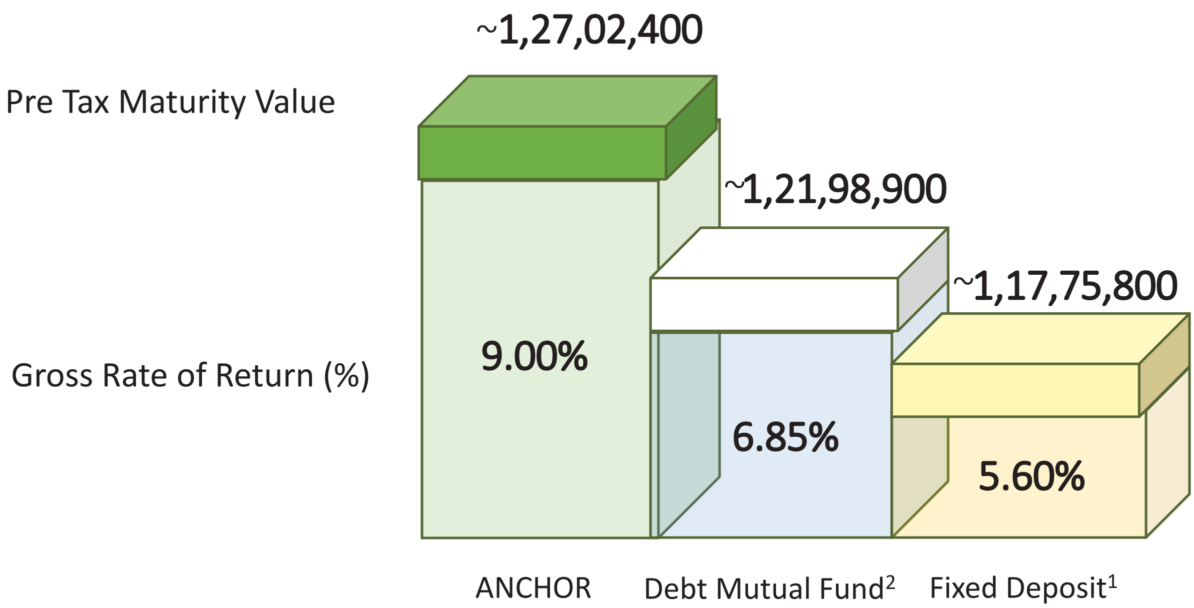
What is ANCHOR?



*Realized return on investment may differ depending on the investment timing, due to the difference in purchase value and face value of the security on the date of investment & Return is subject to the credit Risk of the Issuer.

What is the Opportunity?

For an investment of 1 Crore for 36 months



1. 3 year Fixed Deposit rate effective 13th Aug, 2022, per SBI website https://sbi.co.in/web/interest-rates/deposit-rates/retail-domestic-term-deposits
2. Average Gross Yield to Maturity for Corporate Bond Fund Category as on 31st Aug, 2022

Key Terms of the Issue

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

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

Cash-flow Illustration

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

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

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

Anand Rathi PMS

PMS Portfolio

Objective & Investment Philosophy

Objective

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

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

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

Value | **Growth**

Investment Process

Allocation

Business Model either in
- Improving Market Share
- Leadership
- Niche Business Model

Rising Enterprises
- Stable and Improving Margins
- Improving ROE and ROCE

Sustainability
- Visibility of Earnings over next 2-3 years
- Predictable business model

Sound Corporate Track Record
- Management back ground
- Accounting & Corporate policies

Sector opportunity
- Sector potential to grow
- Cyclical / Non Cyclical
- Favoring Policies

Diversification
- Sectorally well diversified portfolio of 15-20 stocks across Market Capitalization

Exposure
- Single Stock exposure < 10%
- Single Sector exposure < 30%

Stock Selection

Re-VIEW Strategy

V – Valuation Check

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

I – Impact of Events

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

E – Earnings Visibility Changes

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

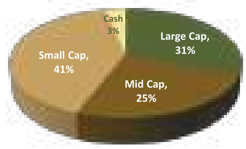
W – Weightage Check of the Holdings

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

Top Holdings & Market Cap Allocation

Sr No	Top 10 Holdings	% Holdings
1	Ratnamani Metals & Tubes Ltd.	8.3%
2	Bharat Electronics Ltd.	6.7%
3	Bajaj Finance Ltd.	6.1%
4	KEI Industries Ltd.	6.0%
5	Varun Beverages Ltd.	5.5%
6	Radico Khaitan Ltd.	5.4%
7	Carborundum Universal Ltd.	5.3%
8	ICICI Bank Ltd.	5.0%
9	KEC International Ltd.	4.9%
10	Coforge Ltd.	4.8%

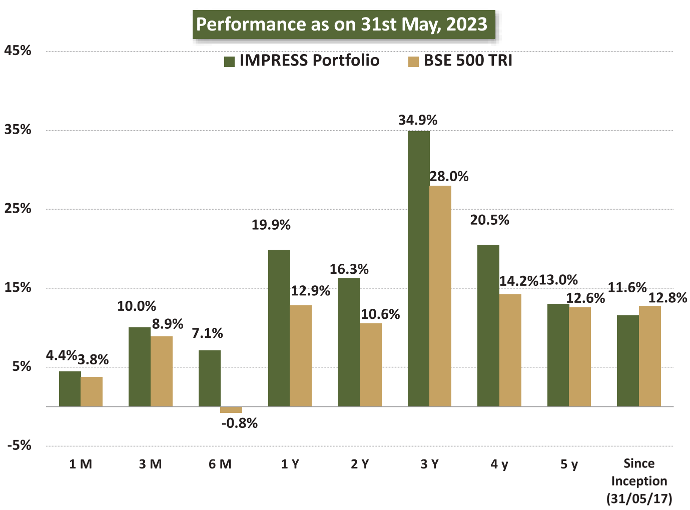
Market Cap Allocation

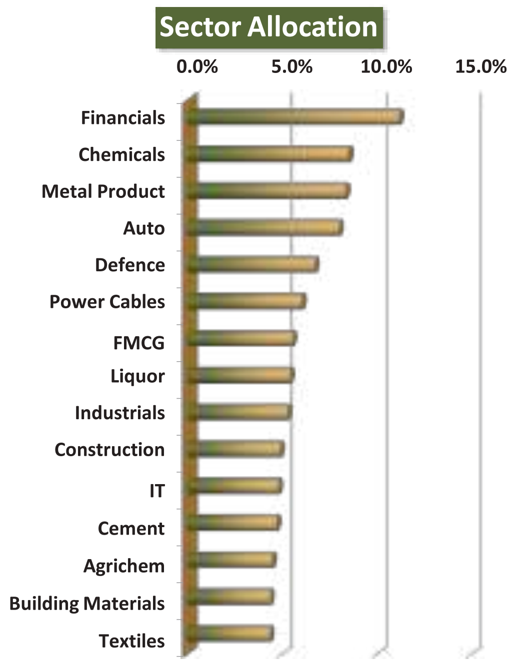


	Avg Mkt Cap (cr)
Large Cap	257212
Midcap	24241
Small Cap	10933
Overall Portfolio	91906

Data as on 31st May, 2023

Portfolio Performance





Anand Rathi PMS

Decennium Opportunity

Focus on return optimization by investing in multicapportfolio of companies with good corporate governance, strong emerging business or companies entering into next business upcycle.

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

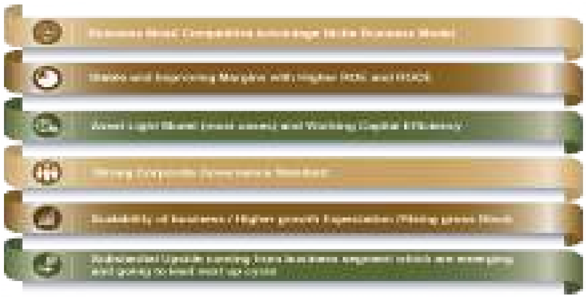
Opportunities at every level of emerging business

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

Emerging business of ongoing Industrial Revolution

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

Stock Selection Process

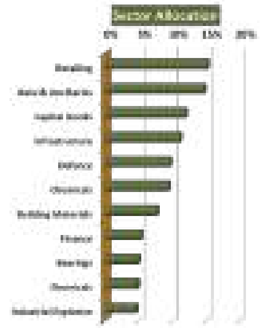


Opportunity - Accelerated Growth from Business Upcycle

- 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

Portfolio Synopsis

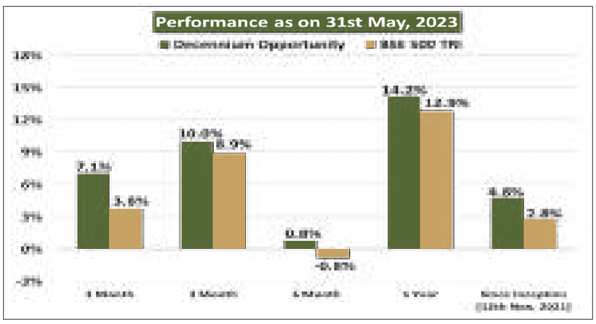
Sr. No.	Top 10 Holdings	% Holdings
1	Bharat Electronics Ltd	9.6%
2	Craftsman Automation Limited	8.8%
3	Cera Sanitaryware Ltd	7.8%
4	Praj Industries Ltd	6.0%
5	Power Mech Projects Limited	6.0%
6	Tube Investments of India Limited	5.9%
7	Bajaj Finserv Limited	5.4%
8	Metro Brands Limited	5.3%
9	Gujarat Fluorochemicals Limited	5.3%
10	Ethos Limited	5.2%



	Avg Market Cap (cr)
Large Cap	122802
Midcap	28280
Small Cap	7686
Overall Portfolio	34700

Data as on 31st May, 2023

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



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.

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

Structure Product Idea

Nifty Accelerator

Product Name	Nifty Accelerator– 100%	
Issuer	Anand Rathi Global Finance Limited	
Underlying	Nifty 50 Index	
Principal Protected	Principal is not protected	
Tenor(days)	1875 Days	
Initial Fixing Level	150 points contingent from closing nifty then rounded to next 100	
Final Fixing Level	Average of Closing NIFTY on last Thursday of 47th, 50th, 53rd & 56th Month.	
Nifty Performance (NP)	(Final Fixing Level/Initial Fixing Level)-1	
Contingent Coupon (CC)	100% (IRR – ~14.45%)	
Participation Rate1 (PR1)	100%(From 108% to 133% of Initial Fixing Level)	
Participation Rate2 (PR2)	2500%(From 130% to 133% of Initial Fixing Level)	
Decay Multiple (DM1)® Knock-In Put @ 84.99%	1.15x (below -15% till -30% fall with catch-up)	
Decay Multiple (DM2)® Nifty @ 69.99% of initial	0.15x (Beyond -30% fall decay decreases)	
Payoff	If Final Fixing Level is at or above 133% of Initial Fixing Level	Contingent Coupon
	If Final Fixing Level is above 108% & below 133% of Initial Fixing Level	(NP-8%)* PR1+ Max(0%,(NP-30%)*PR2
	If Final Fixing Level is at or above 85% & at or below 108% of Initial Fixing Level	Principal Protection
	If Final Fixing Level is below 85% of Initial Fixing Level	MAX(-100%,MAX((-30%*DM1),NP*DM1)+MIN(0%,(NP+30%)*DM2))

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

Nifty Values	Nifty Perf.	Product Return	Nifty IRR	Product IRR
37590	110.00%	100.00%	15.50%	14.40%
35800	**100.00%**	**100.00%**	**14.40%**	**14.40%**
26850	50.00%	100.00%	8.20%	14.40%
23807	**33.00%**	**100.00%**	**5.70%**	**14.40%**
23628	32.00%	74.00%	5.60%	11.40%
23449	31.00%	48.00%	5.40%	7.90%
23270	30.00%	22.00%	5.20%	3.90%
21480	20.00%	12.00%	3.60%	2.20%
19332	**8.00%**	**0.00%**	**1.50%**	**0.00%**
17900	**0.00%**	**0.00%**	**0.00%**	**0.00%**
17662	-1.30%	0.00%	-0.30%	0.00%
16110	-10.00%	0.00%	-2.00%	0.00%
15215	**-15.00%**	**0.00%**	**-3.10%**	**0.00%**
15213	-15.01%	-17.26%	-3.12%	-3.62%
14320	-20.00%	-23.00%	-4.30%	-5.00%
12530	**-30.00%**	**-34.50%**	**-6.70%**	**-7.90%**
10740	-40.00%	-36.00%	-9.50%	-8.30%
0	-100.00%	-45.00%	-100.00%	-11.00%

Product IRR* **14.45%**

Tenor
1875 Days

Target Nifty Perf.
33%

Product Explanation

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

*Product IRR assume to be Pre-Tax IRR
NP: Nifty Performance
^ Initial Fixing Level is taken as 17662, adding 150 points contingent: 17812, rounded off to next 100: 17900.
**Historical Standard Deviation is calculated for 1710 days daily rolling NIFTY (Working Days Only) return from 1st Jan'2001 – 31st January 2022.
Investment Value per debenture: 1,25,000/-(Issued at a premium)

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

Technical Analysis

NIFTY: JUNE 2023

LEVELS TO WATCHOUT FOR: 18662 - 19000 / 18450 – 18000

They say 'Sell in May and Go Away' but this time the markets proved them wrong. The domestic markets maintained the positive momentum throughout the month of May 2023. The index NIFTY gradually retested 18600 mark during the process and ended the month with gains of over 2.5%. The sentiment was uplifted in the absence of any negative triggers from the global markets and few positive news on the domestic front.

During the month of May 2023, we were expecting profit booking from the zone of 18200 – 18500 but the bulls have managed to clear this zone with an ease. Now at this juncture, the index is hovering near the 88.6% retracement of the entire move from 18887 towards 16800. Hence going ahead; the recent high of 18662 would remain an immediate trigger for the bulls. A sustainable move above the same might result in a new life high for the index. In a best-case scenario, we expect the ongoing momentum to take a halt near 18900 – 19000 zone since that is a placement of a rising trend line on larger degree charts. Currently the weekly RSI is hovering near a resistance of falling trend line. The volatility index VIX is once again near the reversal zone 0f 11 – 10. Historically, we have witnessed heavy volatility in the markets once the VIX sneaks below 11 mark. It would be wiser for traders to keep booking profits from here on. On the downside, 18450 seems to be an important support since that is the support formed by rising trend line. A close 18450 might bring in the expected corrective impulse move in the markets.

Meanwhile, the NIFTY BANK index outperformed the benchmark indices during May 2023 and registered a new lifetime high near 44500 mark. On the daily chart we witnessed that this price action was accompanied with negative divergence of RSI. Also, we are now witnessing a lower bottom in RSI. At this juncture the index has rising trendline support at 43700. Going ahead, a close below 43700 might spoil the party for the bulls and we might witness profit booking in the markets. On the upside, 44500 seems to be an initial resistance and only a move above the same might extend the rally above 45K milestone.

Technical Pick – BUY ABFRL LTD POTENTIAL UPSIDE 15.00%- 20.00%

- Since Nov 2022, ABFRL underwent a steep corrective move from the high of 359 and sneaked below 200 zone. This has brought the stock in oversold terrain.
- The stock has found support at the placement of Ichimoku Flat cloud and that too on a monthly time frame.
- On the weekly scale, RSI seems to be turning from a decisive support level.
- For the coming weeks, we expect a decent relief rally or a pullback in ABFRL. Thus, traders are advised to buy the stock in the range of 202-198 with a stop loss of 180 on closing basis for the upside potential target of 230 followed by 240 levels in coming 1-3 months.

Technical Pick – BUY NYKAA POTENTIAL UPSIDE 18.46%- 24.62%

- Since Nov 2021, NYKAA underwent a steep corrective move from the high of 428 and sneaked below 120 zone. This has brought the stock in oversold terrain.
- Now we are witnessing a breakout along with high top and higher bottom formation on the daily chart and that indicates change of trend.
- On the weekly scale, RSI has confirmed a breakout and this can result in upside momentum.
- For the coming weeks, we expect a decent relief rally or a pullback in NYKAA. Thus, traders are advised to buy the stock in the range of 132-128 with a stop loss of 114 on closing basis for the upside potential target of 154 followed by 162 levels in coming 1-3 months.

Overview of ICICI Venture

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

ICICI Venture at a Glance

$6bn	600+	100+	81+
AUM/A since inception	Investments since 1988	Investments since 2002	Exits since 2002

Our Existing 4 Verticals

		Private Equity	Real Estate	Infrastructure	Special Situations
AUM/A[1]		$1.85bn[2]	$0.70bn[2]	$1.75bn[3]	$1.25bn[2,4]
Strategies		Growth Equity	Debt	Energy	Debt, Mezzanine
		Joint Control	Equity	Utilities	Distress Buyouts
		Buyouts	Mezzanine	Buyouts	Equity Recaps

Sector Footprint

- Banking, Financial Services, Insurance
- Consumer, Retail/eTail Brands
- Healthcare, Pharmaceuticals
- Media & Entertainment
- Manufacturing, Industrials, Logistics
- RE & Infra

IAF5

[1] Excluding VC AUM (1988-2002); [2] Includes co-invest capital; [3] Through Resurgent Power which is co-sponsored by ICICI Venture and Tata Power Company; Figure represents enterprise value of current portfolio; [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

Evolution of our PE Vertical

Growth PE has been our core strategy in the last 2 decades across 4 funds

		IAF1 2002-03	IAF2 2005-06	IAF3 2009-10	IAF4 2016-17	IAF5
Size		*INR 11 Bn*	*INR 24 Bn[1,2]*	*INR 14.4 Bn*	*INR 16.5 Bn[1]*	*INR 25 Bn[3]*
India focused		✓	✓	✓	✓	✓
Strategy	*Growth PE*	✓	✓	✓	✓	✓
	Growth (PIPE)	×	✓	✓	✓	✓
	Buyout, Joint Control	✓	✓	✓	✓	✓
	Series A,B	✓	✓	×	×	×
	Cross Border	×	✓	×	×	×
	Real Assets	✓	×	×	×	×
Number of deals		*21*	*21*	*9*	*10*	*10-12[3]*
First time PE raisers		*16*	*16*	*5*	*6*	*Key focus*
Exited		*21*	*20*	*8*	*2*	*-*

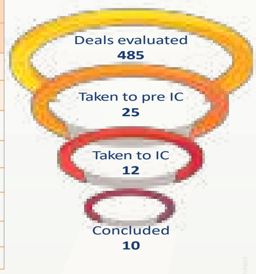
IAF5 1 Including USD capital represented in INR based on actual exchange rates corresponding to the vintage of the fund; 2 Amended; 3 Targeted

IAF4 Portfolio Overview

Backing leaders and emerging leaders in fast growing sectors in India

IAF4 Portfolio	Entry Year	Investment[1] (INR Mn)	Sector	Strategy	Stake	Exit/ Liquidity	Exit Strategy
	2016	1,000	BFSI	Growth PE	4.19%	Exited (3.03x, 55%)	Sale to strategic/PE
GO COLORS!	2018	1,000	Consumer	Growth PE	13.79%	Exited (6.34x, 59%)	IPO, Capital markets
KIMS	2021	1,600	Healthcare	Growth PE	2.42%	Listed	Capital markets
	2018	2,398	BFSI	Growth PIPE	4.36%	Listed	Capital markets
India1	2019	1,000	BFSI	Joint Control	21.48%[3,4]	2023-24	Strategic sale
	2016	1,650	Mfg	Growth PE	26.22%[5]	2023-24	Strategic sale
	2022	1,200	Consumer	Growth PE	2%[6,7]	2023-24	IPO / Capital Markets
	2021	1,600	Mfg	Growth PE	15.9%-24.2%[6]	2023-24	IPO / Capital Markets
	2017	1,250	Consumer	Joint Control	46.52%[8]	2024-25	Sale to strategic/PE
	2022	1,400[7]	Insurtech	Growth PE	17%	2025	Sale to strategic/PE

IAF4 deal log

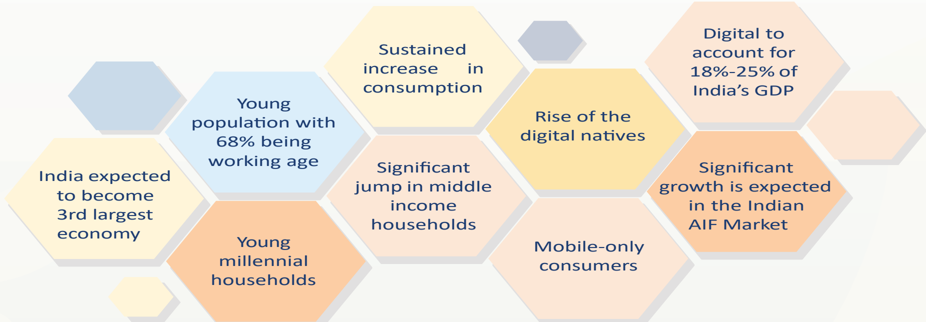


[1]Aggregate investments across both vehicles IAF S4 I and DIF S4 US I; [3] Over 48% across IAF4 and IAF3; [4] On fully diluted basis prior to ESOP dilution; [5] Excluding CCPS component; [6] Fully diluted equity stake assuming conversion of CCPS as per agreed terms; [7] Over 6% across IAF4 and IAF5; [8] Including Equity and CCPS; prior to ESOP dilution

IAF5

INDIA 2030 Summary

Domestic consumption to remain, and digital to become, key drivers of the economy



IAF5

The World Bank Population estimates & projections, CIA Factbook 2020 Estimates, Telecom Regulatory Authority of India (TRAI), Businessworld article, McKinsey Digital India 2019 report, CEBR, PwC - The World in 2050, Businessworld article, McKinsey Digital India 2019 report, AGR analysis

IAF5 Themes

IAF5 would seek to invest around 3 investment themes

IAF5

IAF5 Focus Sectors

Focus is on specific sub-sectors in BFSI, Consumer, Healthcare & Pharmaceuticals and Manufacturing

BFSI*	Consumer	Healthcare, Pharma	Manufacturing
Bank	Beauty & Personal Care	Hospitals	Specialty chemicals
NBFC	Food Services	Diagnostics	Processed food
Insurance	Online Retail	Pharma	Electrical equipment
Payments	Home & Kitchen Appliances	Health Tech	Engineering goods

IAF5 **Banking, Financial Services and Insurance*

IAF5 Strategy

Key pillars

IAF5

PE Process

ICICI Venture

ICICI Venture leverages its well established PE process for implementing IAF5 investment strategy

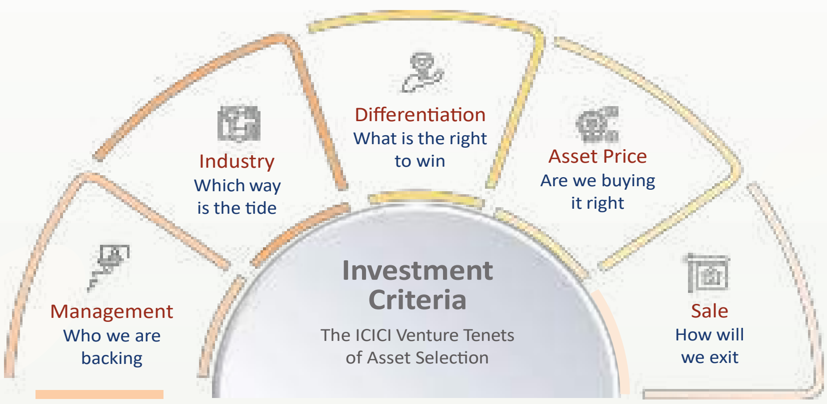
Deal sourcing	Rigorous due diligence	Distinctive and disciplined pricing, structuring	Driving Operational Excellence in Portfolio Companies	Target Returns within Targeted Holding Period
• AIF Manager / Team • Prior investees • Group references • Investor references • Intermediaries • Auctions	• Environmental & Social (E&S) DD • Commercial DD • Financial DD • Legal DD • Promoter DD	• Disciplined and multi-pronged approach to entry / exit valuation • Leverage distinctive structuring experience to mitigate downside risk and align objectives	• HR • Business ops, Supply chain, IT • Cost optimization • M&A • Branding, Marketing • Business Strategy • Financial Management • Strategic alliances • ESG	• Multiplicity of exit options • Ab initio alignment with promoters, teams • Adaptability • Speed • Intermediaries • Focus on execution excellence

IAF5

Deal Selection

ICICI Venture

ICICI Venture follows a 5-point framework for screening and selecting deals for further evaluation



IAF5

Key fund terms (India Advantage Fund S5 II)

ICICI Venture

Key fund terms*

India Advantage Fund S5 II	Organized as a close-ended, contributory, determinate trust, registered with SEBI as a Category II AIF (Fund of Funds); ICICI Venture is Settlor, AIF Sponsor, Manager of the Feeder Fund. Invests 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)
First Closing	July 7, 2022
First Drawdown	October 21, 2022 (notice issued on September 30, 2022)
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 per investor. Plus INR 1 Mn p.a. (net of GST) at overall 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
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 Amount	SBI MCLR +4% per annum applicable for Subsequent Closings with effect from date of First Drawdown
Additional Return	Applicable at Master Fund level only (20% on whole fund basis)

IAF5 *Subject to legal & tax advice, SEBI Regulations and approvals; for further details please refer PPM; ^ subject to final closing size being equal to target size

ICICI Venture

iREIF 2

India Real Estate Investment Fund Series 2

Affordable Housing Focused Debt AIF

CONFIDENTIAL, RESTRICTED AND PRIVILEGED 2022

Overview of ICICI Venture

ICICI Venture

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

ICICI Venture at a Glance

$5bn AUM/A
since inception

600+ Investments
since 1988

100+ Investments
since 2002

81+ Exits
since 2002

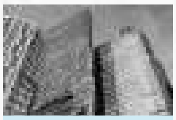
ICICI Venture's Business Verticals

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

Real Estate Foot Print


Affordable housing


Mid-high end housing


Office development


Mixed use

iREIF 2

1 Excluding VC AUM (1988-2002); 2 Includes co-invest capital; 3 Through Resurgent Power which is co-sponsored by ICICI Venture and Tata Power Company; Figure represents equity capital commitments; 4 Through AION which is in a strategic alliance between ICICI Venture and Apollo Global (US); As of April 2020, ICICI Venture and Apollo have jointly agreed to a revised format whereby AION will continue to be managed by Apollo and advised by ICICI Venture until the end of its term. Each of ICICI Venture and Apollo are free to pursue future investment opportunities independently

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Evolution of our RE Vertical

ICICI Venture

Private Debt has been our core strategy since the last decade

		IAF RE S1 2005-06	IAF RE S2 2011-12	iREIF 2018-19	iREIF 2
Size		INR 22.00 Bn[1]	INR 3.76 Bn[2]	INR 5.83 Bn	INR 10.00 Bn[3]
India focused		✓	✓	✓	✓
Debt focused		×	✓	✓	✓
Equity focused		✓	×	×	×
Strategy	Affordable Housing	×	✓	✓	✓
	Pan Residential	✓	✓	✓	✓
	Commercial/ Retail	✓	✓	×	×
	Mixed use	✓	×	×	×
	Pan India	✓	×	×	×
	Top 7 cities	✓	✓	✓	✓
Number of deals		13	8	11	10-12[4]
Exited		13	8	2	-

iREIF 2

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

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ICICI Venture's Footprint of Financing for Housing

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

Mumbai Metropolitan Region (MMR)

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

Pune

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

Bengaluru & Chennai

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

iREIF2

Our RE debt exit track record

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

Developer	Type	Investment	Exit	Gross IRR
Arihant Superstructures Ltd.	*Type: Affordable Housing*	Investment : Oct 2018	Exit : April 2021	Gross IRR: 22.5%
SKYi Developers	*Type: Affordable Housing*	Investment : Oct 2019	Exit : Oct 2021 (Largely)	Gross IRR: 22%
Rajesh LifeSpaces	*Type: Housing*	Investment : Oct 2013	Exit : Sept 2015	Gross IRR: 25.2%
	Type: Affordable Housing	Investment : August 2013	Exit : Jan 2016	Gross IRR: 23.4%
alpla – values that build worth	*Type: Affordable Housing*	Investment : Oct 2012	Exit : Jul 2014	Gross IRR: 22.7%
AHUJA Constructions	*Type: Housing*	Investment : Dec 2012	Exit : Jul 2015	Gross IRR: 22.2%
PRINCE	*Type: Affordable Housing*	Investment : Dec 2014	Exit : Oct 2016	Gross IRR: 21.2%
SUNSHINE	*Type: Commercial*	Investment : Dec 2014	Exit : Aug 2016	Gross IRR: 21.8%
DS	*Type: Affordable Housing*	Investment : Oct 2014	Exit : Nov 2016	Gross IRR: 20.8%

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

iREIF2

iREIF Portfolio Overview

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

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

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

iREIF deal log

iREIF2

Leveraging ICICI Group RE strengths

MOU with ICICI Bank

ICICI Group

ICICI Bank CRFG[1]

- A significant player in Indian Construction Financing
- Total exposure of about INR 587.7 billion[2]

ICICI Bank Home Loans

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

ICICI HFC

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

01 Key features of MoU

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

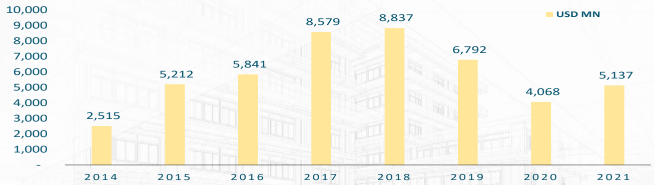
02 Benefits of MoU

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

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

Private capital flows to Indian RE sector

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



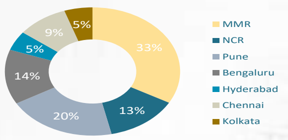
- The Indian real estate industry comprises of 4 sub-sectors -housing, retail, hospitality and commercial.
- The growth in this sector is complemented with the growth in economy driven by manufacturing, the corporate environment and the demand for office space as well as urban and semi-urban housing.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

Source – Knight Frank Research, Venture Intelligence

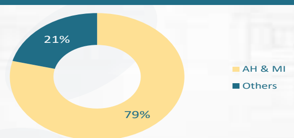
iREIF2 target market snapshot

MMR and Pune account for 53% of Sales

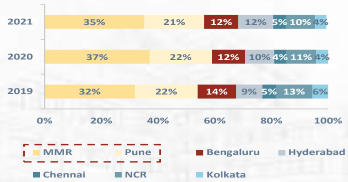
% of Overall Sales from 2015-2021



% of Sales in Mid-income & Affordable

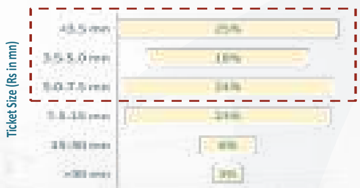


City wise residential unit sales



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

Affordable & Mid Income continues to drive overall volume



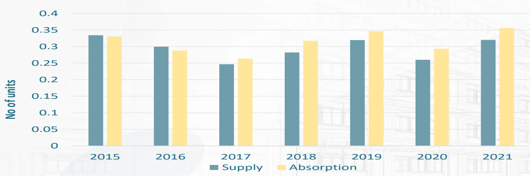
- ~67 % of residential units sold in CY2021 have been in below INR 7.5 mn unit price

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

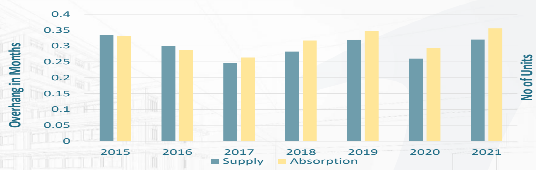
Covid impact

Despite Covid, healthy supply and absorption of residential units

Supply and sales velocity



Housing inventory overhang



- Top 7 cities CY 2021 sales volume higher than CY 2019
- Reduced supply has resulted in lower level of inventory
- Inventory overhang has reduced
- Ready inventory of only ~ 50,000 units across top 7 cities

Source: Propequity

iREIF2 Strategy

ICICI Venture

Key pillars

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

iREIF2

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

iREIF2

iREIF2 Strategy

ICICI Venture

Preferred Stage of Investments

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

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

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

Maturity
Typical maturity period of 36-42 months

Investment Structures

Debt Investments

- Regular coupon servicing
- Indicative IRR of ~17-18%

Differential Coupon Investments

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

Coupon + upside Investments

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

iREIF2

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

iREIF2 Process

ICICI Venture

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

Deal sourcing	Rigorous due diligence	Distinctive and disciplined structuring and rights	Project Management	Target Returns within Targeted Holding Period
• AIF Manager / Team • ICICI Bank • ICICI HFC Prior investees • Group references • Investor references • Intermediaries	• Financial DD • Legal DD • Technical DD • Promoter DD (select)	• Leverage distinctive structuring experience to mitigate downside risk and align objectives • Negotiate appropriate rights including significant security package per transaction	• Regular monitoring • Marketing Strategy • Financial Management • Strategic alliances • Financial Closure	• Focus on execution excellence • Exit from project cashflows/ refinancing

iREIF2

iREIF2 key terms*

ICICI Venture

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

iREIF2

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

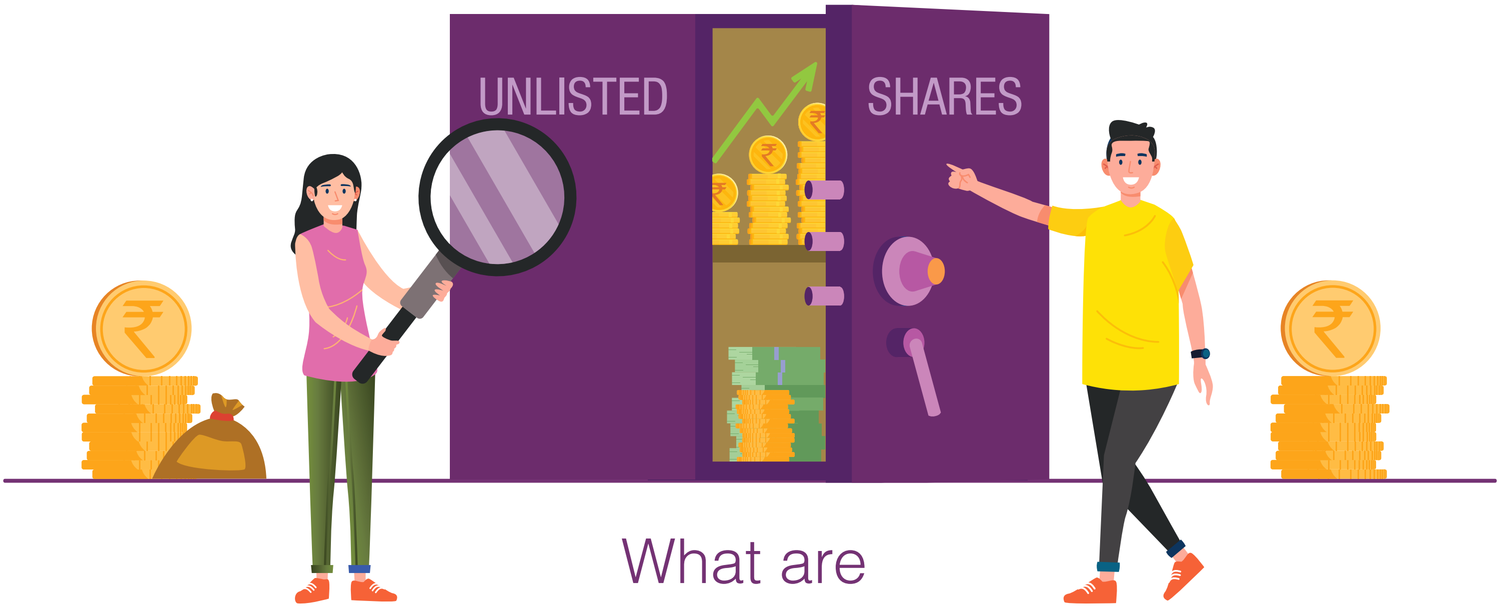
ANAND RATHI
PRIVATE CLIENT GROUP
EQUITY
PCG

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

With

EQUITY UNICORN

Investment in Unlisted Shares*



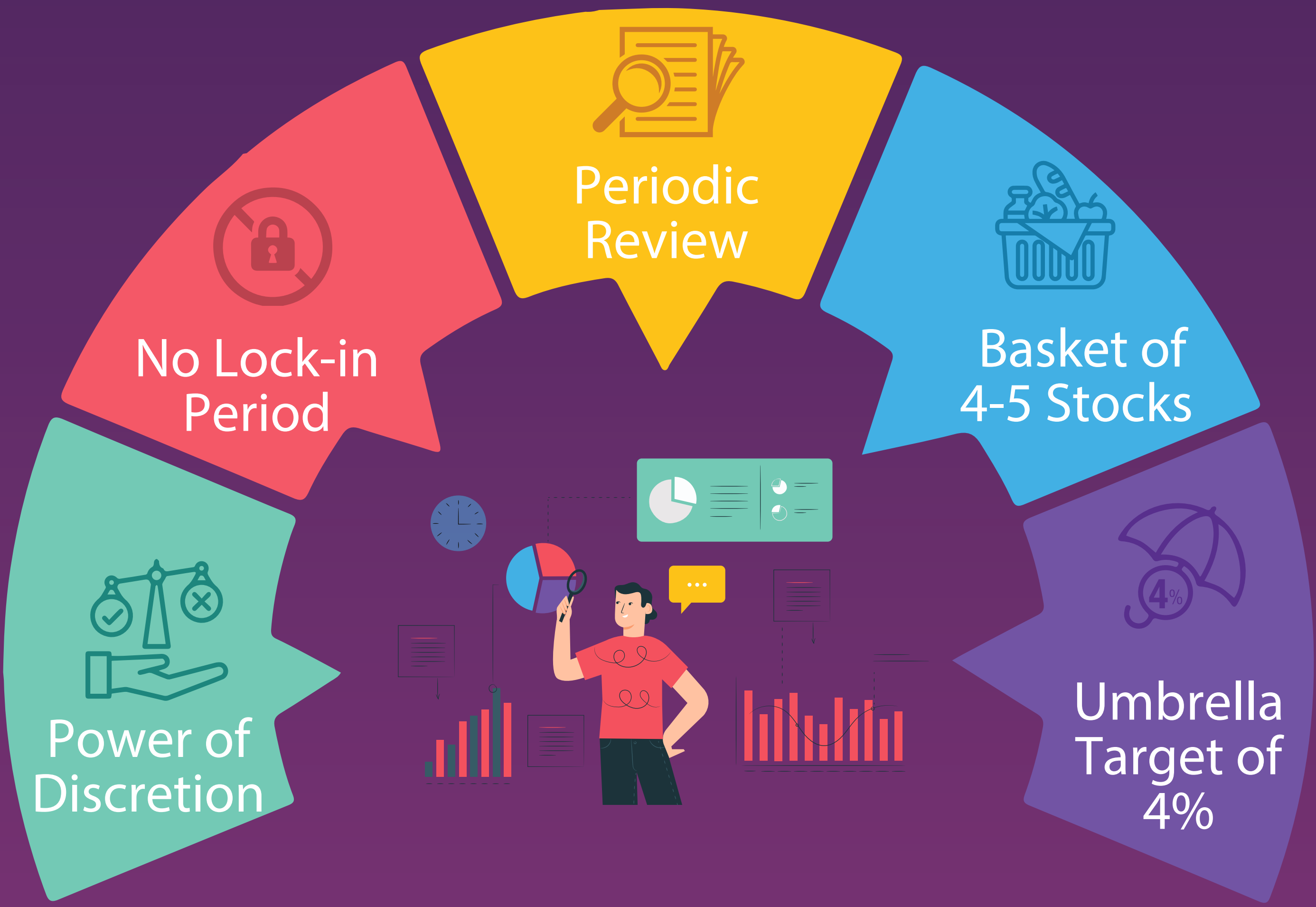
What are
Unlisted Shares*?

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

Reliance Retail	Retail
HDB Financial Services Ltd.	Financial Services
Chennai Super Kings	IPL Team
TATA Technologies Ltd.	Engineering
(API holdings Ltd.)	Healthcare Product
Studds Accessories Ltd.	Helmet Accessories
Care Health Insurance	Insurance
Sterlite Power Transmission Ltd.	Power & Transmission
Phillips India Ltd.	Electronics
Mohan Meakin Ltd.	Beverages
Kurlon Ltd.	Mattresses
Hero Fincorp Limited	Financial Services

*These are not Exchange traded products and all disputes with respect to the distribution activity, would not have access to Exchange Investor Redressal Forum or Arbitration mechanism.

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



Dynamic Research Basket Stock Allocation

The information is only for consumption by the client and such material should not be redistributed.

Note

Note

ANANDRATHI PRIVATE CLIENT GROUP EQUITY PCG

Feat Award Function 2022-23