ANANDRATHI
PRIVATE CLIENT GROUP
EQUITY

FINANCIAL

FLASH

January 2021

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PCG Communique

Wish you All a Very Happy New Year 2021!!!

What a year it has been?? In 2020 we have seen the market touching the trough as well as touching the all the time high. The Benchmark indices (Sensex) crashed from the high of 41k to a low of 25981 (37% from the peak) and rebounded by 83% to hit the high of 47750. Within 9 months the Sensex not only recovered the lost ground but ended the Year on a High note. The saga of Greed & Fear played so well in 2020, were investors who had the belief in India's long term story and stick to the fundamental franchise has not only regained the notional loss in their portfolio value but their portfolio has appreciated quite smartly Vs the investors who have feared and sold their stock during the fall has not only booked losses but haven't dare to invest in the rising market and sitting at the fence for the market to correct.

During this COVID, 14 IPOs have raised 27000CR funds from the primary market. FIIs has gushed liquidity into the markets with continuous buying the index and non-index companies and pumped in 1.28 lakh CR in the OCT-DEC qtr. and DIIs were the net seller to a tune of 1.02CR in the similar period. The timely market-supportive action and the boldness of the RBI was the hallmark of current leadership at the central bank. After the RBI's bold decisions to support the economy, all eyes will now be on the fiscal policies and the various innovative steps that the government can take to push the economy back on a growth trajectory. With inflation on a higher side RBI is in no mood to let the interest go further down and will stick to these interest rates.

Investors need to recognize that this is a liquidity-driven rally fuelled by optimism on the vaccine front and the hope of economic recovery. The Brexit trade deal has added to the bullish sentiment and a weaker dollar is not helping the bears either. It is the confluence of all the positives that are driving the current market rally. Given this momentum, it is quite easy to get carried away. An increasing number of stocks have been participating in the market rally, with the market inching new high on every trading day. Nonetheless, it is time to remind oneself of the adage that when people are greedy it is wise to be fearful. We expect the market will take a breather somewhere here after its prolonged rally and some profit booking are desirable, as the current valuation is on a high.

Most of the analysts are upgrading the GDP contraction from 10% to 8%-8.5% for 20-21 and GDP growth anywhere from 9%-10% for 21-22. We firmly believe India will GDP will grow for FY 21-22 in similar lines.

Going ahead, it will be 3rd Qtr earnings, budget expectations, global markets, USD dollar movement, FPI flows, and the RBI stance that will determine the market moods. It looks like we are set for a highly volatile entry into 2021 with lots of optimism and hope. It is always better to remain cautious when a liquidity-driven market keeps pushing markets to record highs. Do not leverage and overtrade. Remain diversified and do not let greed take control of you.

IT, Auto, Private Bank & Industrials will be the sector to look upon.

From the Desk of the PCG Head
Rajesh Kumar Jain

Market Commentary

Market sentiments remained upbeat throughout December amid reduced uncertainties and continued optimism over the development of the COVID-19 vaccine. Benchmark indices, S&P BSE Sensex and Nifty50 both gained 8.2% & 7.8% respectively, to settle at 47751.33 and 13981.75, respectively, at the end of December.

Markets started the month on an optimistic note as signs of recovery in India's economic growth supported the market sentiments. India's economy recovered faster than expected in the September quarter as a pick-up in manufacturing helped GDP clock a lower contraction of 7.5 percent and held out hopes for further improvement on consumer demand bouncing back. Dalal Street cheered the RBI's MPC decision to keep policy rates unchanged. The RBI held a policy repo rate at 4.00%. The reverse repo rate was retained at 3.35%.

The optimism continued with Niti Aayog's vice chairman's statement that India's economic growth is likely to reach pre-COVID-19 levels by the end of 2021-22 fiscal as the GDP contraction in this financial year is expected to be less than 8%. Domestic bourses extended gains after Fitch Ratings revised India's GDP projection to a contraction of 9.4% due to a strong economic recovery in the second quarter of the current fiscal year. It earlier suggested that India's GDP may shrink by 10.5% in the FY21. Fitch Ratings further projected an 11% growth and 6.3 percent growth in the following years. Indian shares added more gains, as traders remain energized with the report that Corporate India is showing 'healthy signs of recovery' and plans to hire more people in the first three months of 2021 compared to the quarter ending December.

The country's IIP grew 3.6% to 128.5 in October with recovery in manufacturing, consumer goods, and power sectors. Markets extended gains as Finance minister Nirmala Sitharaman asserted that the Budget for FY22 will be vibrant enough to sustain economic revival in the aftermath of Covid-19 disruption.

The markets were volatile during the Christmas holiday truncated week as the UK's Health Secretary Matt Hancock warned that the new strain of the coronavirus is 'out of control' and suggested parts of England will be stuck in the new, highest tier of restrictions until a vaccine is rolled out. However, markets made a decent recovery from thereon and recovered all the losses of that week to end flat.

In the final week of the month, Nifty surpassed the 14,000 marks as sentiments remained positive and the Finance Ministry released the ninth installment of Rs 6,000 crore to the states to meet GST compensation shortfall, taking the total amount of fund released to Rs 54,000 crore. The Centre had set up a special borrowing window in October 2020 to meet the estimated shortfall of Rs 1.10 lakh crore in revenue arising on account of implementation of GST.

In terms of economic performances, the IHS Markit India Manufacturing Purchasing Managers' Index (PMI) for December reflected stable factory orders, exports, and output. The PMI index came in at 56.4 in December from 56.3 in November & remained in the expansion zone. Reading above the 50 marks indicates growth.

The Nikkei/IHS Markit Services PMI moved to 53.7 in November from 54.1 in October.

However, the output of eight core infrastructure industries narrowed in November, marking contraction for the ninth consecutive month. The combined index of eight core Industries stood at 125.9 in Nov 2020, declining by 2.6% compared to 0.7% expansion in Nov 2019 and 0.9% contraction in Oct 2020. While coal, fertilizers, and electricity witnessed growth, crude oil, natural gas, refinery products, steel, and cement recorded negative growth in November.

India’s retail inflation, measured by CPI was 6.93% in November and lower than 7.61% in October, mainly due to the continued rise in food prices. The inflation figure in November exceeded the upper tolerance level of the RBI’s inflation target (4% with +/- 2%), for the eighth consecutive month. Also, India’s wholesale price index (WPI) based inflation increased to 1.55% from 1.48% in October.

Regarding export-import activity, India's exports exhibited negative growth of 0.8% year over year at $26.89 billion in December while imports increased by 7.6% year over year to $42.6billion. The Goods and Services Tax (GST) collection in December recorded an all-time high at Rs. 1,15,174 crore, 12% higher than in the same month last year.

Also, India's foreign exchange reserves declined by $290 million to $580.8 billion in the week ended January 1, foreign currency assets (FCAs), a key component of the overall reserves declined by $253 million. Additionally, Foreign Portfolio Investors (FPIs) were net buyers of Rs. 71,046 crores in December, driven by strong net inflows in the equity of Rs.62,016 crore.

On the global front, President Donald Trump has finally signed a $2.3 trillion government spending bill that includes approximately $900 billion in coronavirus relief funds. Trump had previously resisted signing the legislation, calling for $600 in direct payments to individuals to be increased to $2,000. The House voted to approve a measure increasing the size of the stimulus checks. Besides, Reports that U.K. regulators have approved a coronavirus vaccine developed by AstraZeneca (AZN) and the University of Oxford for emergency use also generated some positive sentiment.

Meanwhile, the economic activity in the US manufacturing sector slowed in November. Per the Institute for Supply Management (ISM) report, manufacturing PMI stood at 57.5 in November, down from 59.3 in October. However, this figure indicates expansion in the overall economy for the seventh straight month after a contraction in April.

In Eurozone, manufacturing sector growth improved in December. IHS Markit’s Manufacturing PMI rose to 55.5 in December from 53.8 in November. As per the report of the global data firm, manufacturing is reporting strong growth, fueled by rising exports and a booming performance from Germany in particular. However, the service sector remains in decline amid ongoing social distancing restrictions. Many of these containment measures look likely to remain in place for some time to come, constraining the economy as we head into the new year.

In Japan, the manufacturing sector stabilized in December. The final au Jibun Bank Flash Manufacturing PMI stood at 50 in December compared to 49 in November.

Regarding China, the National Bureau of Statistics reported that official manufacturing PMI for December came in at 51.9, down from 52.1 in November. However, the country’s non-manufacturing PMI, which gauges sentiment in the services and construction sectors, rose to 55.7 in December from 56.4 in November.

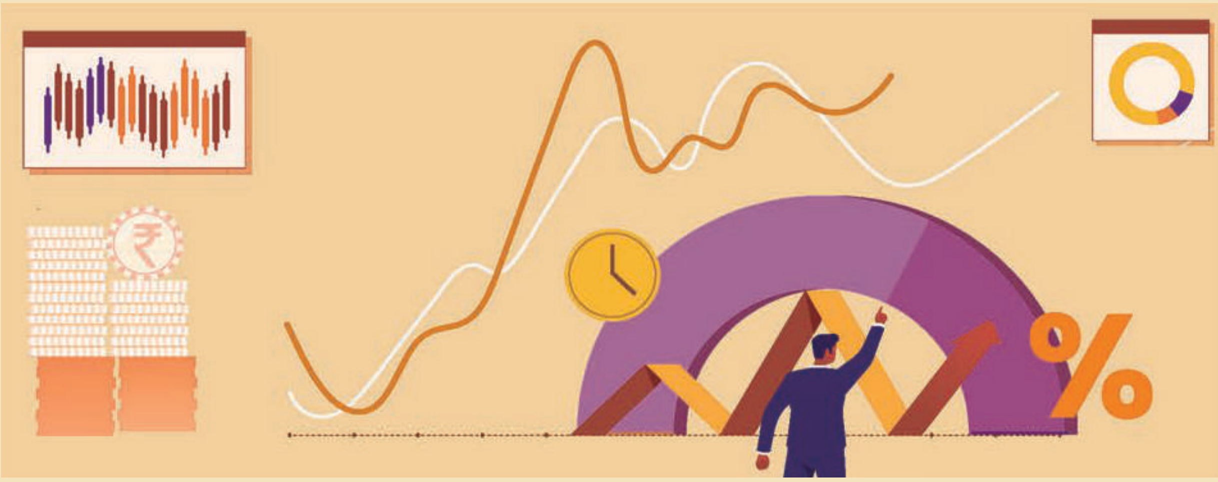
Going Ahead

With markets trading at all-time high levels, some temporary increase in volatility can't be ruled. Nevertheless, the market sentiments should reflect optimism, given the success in several COVID-19 vaccine candidates while distribution & vaccination now remains a key area to watch. In another major development, the U.K parliament approved a trade deal between Britain and the European Union, ending four fraught years of political negotiations since 2016.

Back home, the Indian drug regulator gave its final approval to the Oxford-AstraZeneca and Bharat Biotech coronavirus vaccines for restricted use in an emergency, giving the country its first two shots for immunizing its vast population in the coming weeks.

Pent up demand and buying in the run-up to the festive season have pushed economic recovery to some extent. Some latest high-frequency macro indicators hint at green shoots in economic recovery, however, sustenance of such improving trends over the next few months remains key. Among others, investors would keep a tab on management commentary as the Q3FY21 earnings season kicks in later this month.

We believe that continued fiscal and monetary stimulus, investment in infrastructure, and gradual momentum in demand and consumption from continued restarting of business activities should support economic recovery. Also, the rural recovery should be faster given improving trends in areas such as agricultural and allied activities. We recommend investors to remain invested in healthy growth and value-oriented companies with quality management to create long term sustainable wealth.



Equity Outlook

News around vaccine announcements has bolstered risk-on sentiments as is reflected in the global equity trend.

Increasing resumption of economic activities focus on manufacturing – policy reforms, low-interest-rate environment, other socio-economic policies are key factors supporting the broader economic and earnings growth trend.

Sticky inflation trend along with improving growth trend is aiding the RBI to keep rates unchanged and maintain an accommodative stance.

Recovery is expected to be geographically broad-based as developed and emerging economies continue to open, well-supported by monetary and fiscal stimulus.

Overall, the opening of the domestic economy, resilience of the rural economy, faster recovery in external demand, and an accommodative monetary policy stance augur well for the growth trend to remain on track for recovery ahead.

Focused Equity Mutual Funds and Returns					
Large Cap	**3 Years**	**5 Years**	**Since Inception**	**Revenue**	**Comment**
Axis Bluechip Fund Gr	15.23	14.94	13.01	0.95	BUY
Mirae Asset Large Cap Fund	8.84	13.76	15.36	1.1	BUY
Multi Cap					
Kotak Standard Multicap Fund	7.96	12.75	13.51	1.17	BUY
Large & Midcap					
Canara Rebeco Emerging Equity Fund	7.46	13.82	17.07	1.3	BUY
Invesco India Growth Fund	8.16	12.56	11.15	1.35	BUY

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

Debt Outlook

The economic stimulus measures announced by the Finance Minister may help in boosting employment generation, provide additional credit to the stressed sectors, and have a multiplier effect on undertaking additional capital expenditure and spending for the real estate sector.

In line with our expectation, the RBI's Monetary Policy Committee (MPC) unanimously voted to keep the policy rate unchanged, for the third time in a row, while maintaining its accommodative policy stance. RBI announced that it will maintain significant liquidity support and macro-prudential measures to provide support to financial markets and aid growth.

Inflation continues to remain sticky and growth recovery is still at a nascent stage. In this backdrop, we believe that the RBI is going to be on an extended pause.

Markets continue to expect the RBI to intervene through Open Market Operations (OMO) purchases and Operation Twists (OT) to curb any surge in yields.

Focused Debt Funds with Returns	1 Year	3 Years	5 Years	Since Inception
SBI Magnum Medium Term Fund	12.01	9.77	10.18	8.30
ICICI Prudential Medium Term Fund	10.14	8.16	8.24	7.72
Kotak Medium Term Fund	8.14	6.95	7.66	8.42
HDFC Banking and psu funds	10.41	8.84	8.73	8.92
ICICI Prudential All Season Bond Fund	11.52	9.33	9.91	9.79
Kotak Dynamic Bond Fund	11.45	9.97	9.71	8.88
Nippon India Short Term Fund	9.36	8.07	7.94	8.07

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

Commodities Outlook

Crude Oil

Last month, initially, crude oil prices came under pressure a lot of disagreement emerged between OPEC and its allies regarding the extension of its deep output cut. As a result, the OPEC meeting which was earlier scheduled for 30th November was deferred to 3rd December. But the UK approved the COVID-19 vaccine developed by Pfizer/BioNTech. This led to a rally in the global financial markets on the hope that the global economic recovery would sustain due to the early arrival of the vaccine. This contained losses in the crude oil. The OPEC and Russia agreed to slightly ease their deep oil output cuts from January by 500,000 barrels per day. Hence the crude oil extended gains. The sharp decline in the dollar index also supported crude oil. Nevertheless, crude oil prices once again came under pressure due to the consistent rise in the Baker Hughes rig counts. The sharp rise in the API and EIA crude oil inventories pressurized the crude oil. Iran said it's preparing to boost oil exports in a sign it expects the White House to ease some sanctions under a Joe Biden presidency. Both the OPEC and IEA cut crude oil demand forecast for 2021. But strong risk-on sentiment in the global financial markets supported the crude oil.

Recently, crude oil prices have moved higher in line with gains in the global financial markets due to vaccines to fight the coronavirus. The EIA expects that Brent prices will average $49 per barrel in 2021, up from an expected average of $43 per barrel in the fourth quarter of 2020. However, vaccine production and distribution for the masses would take a few more months. On the other hand, numbers of cases are rising by a record in the US where new cases have been reported above 250,000 and more than 3,700 deaths in a single day. Many European countries had announced a national lockdown in November. The performance of key economic indicators has deteriorated recently. Hence questions have arisen regarding whether the global economic recovery would sustain or not. As a result, both the OPEC and IEA have cut crude oil demand projections for 2021. Inventories remain at record high levels from the historical perspective. On the other hand, the OPEC crude oil production has increased to 25.10 million BPD in November, from 24.40 million BPD in the previous month. The sharp rise in the crude oil production of Libya has led to an overall increase in the output of the OPEC. The sharp rise in Libya's crude oil production may hamper OPEC's efforts to rebalance the market. From 1st January, the OPEC and its allies will now cut crude oil output by 7.2 million BPD, from the current production cut of 7.7 million BPD. The doubts have arisen regarding the future of OPEC as the UAE is considering whether the OPEC membership is in its long term interest or not. Overall, the outlook of the crude oil is mixed.

Bullion: Rally to continue

The gold market enjoyed a robust 2020. Having fallen to lows of approx. $1,470/oz per ounce in March as risk-off conditions gripped markets the precious metal proceeded to move to a record $2,075/oz in August, lifted by widespread stimulus measures from central banks to help nurse the economy through the coronavirus pandemic.

Year	2016	2017	2018	2019	2020*
Gold	10.08	6.23	7.67	24.58	28.24

(Source: *As on 31st Dec, 2020, Bloomberg)

Gold price in India surpassed Rs. 56,000 per 10 grams for the first time in August of this year after US spot gold hit an all-time high. Since then ETF outflows have been weighing on the gold price.

There are many potential reasons why gold has found strong buying interest in 2020. The global economic outlook is highly uncertain. Governments and central banks have been dealing with an unprecedented crisis and have resorted to drastic measures in response.

While gold has shone brightly this year as the investment community has valued its safe-haven appeal, there remains a lot of uncertainty in the marketplace ahead.

Gold has been somewhat volatile over the past few months but fundamentals are lining up for a bullish 2021. Seasonality suggests that investors should look at adding gold to their portfolios in late December. Momentum and dollar weakness suggests that 2021 is going to be a very bullish year

Forecasting the full year 2021, silver, in particular, should be able to benefit from the rising inflation.

In the short-term, however, optimism is already a little too high. The path towards a higher gold price should therefore not be straightforward but might be interrupted again and again by treacherous pullbacks.

We nevertheless believe the metal may not be immune should dollar strength return in 2021, though the greenback may face pressure, given consensus expects the Federal Reserve to further pare interest rates. We recommend buying on dips in January.

Silver's surge marks the best annual return since 2010

Return (%) on the MCX

Year	2016	2017	2018	2019	2020*
Silver	17.27	0.48	-1.06	20.32	45.8

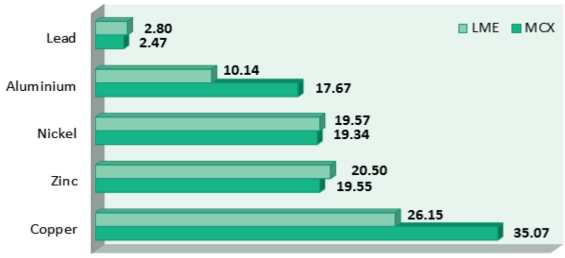
(Source: *As on 31st Dec, 2020, Bloomberg)

Silver has certainly had a wild ride this year, more than living up to its super-speculative reputation. It got sucked into the overwhelming turbulence of fear from mid-March's stock panic on governments' COVID-19 lockdowns, plummeting 35.8% in under a month! The resulting $11.98 nadir was brutal; well below the world's silver miners' all-in sustaining costs of production. Comex Silver had been left for dead at that 10.9-year low.

But like a phoenix rising from the ashes, silver's rebound out of those extreme lows was incredibly violent. Over the next 4.8 months into early August, silver skyrocketed 142.8% higher to $29.04! That proved its best level in 7.4 years. If such high silver prices can be sustained, that would be a game-changer for the long-struggling major silver miners. And so far these way-better silver prices have largely held since. Going ahead, there could be a phase of correction but the undertone is positive in the Silver market so we believe to stay invested on every dip.

Base Metals: Liquidity, hope & China to drive prices higher

Performance (%) of industrial metals in 2020



All five major industrial metals finished 2020 on a high note although Corona Virus Disease – 2019 (COVID-19) changed the way the world functioned. It has been the second consecutive year of positive returns for industrial metals. MCX copper hits an all-time high above Rs. 610 per kg. MCX nickel has gained by more than 19% after witnessing a strong run of approx. 39% in 2019. For the continuation of the rally in the base metal pact, it is very critical for the Asian region to rebound strongly. Countries like China, South Korea, Japan, and India has to create demand.

The gradual lifting of lockdown restrictions has helped so far and companies announcing vaccine shots have created optimism that the first half of 2021 will be very important from the healthcare sector's point of view. Success on the vaccine front is going to push metals to even higher levels in months to come.

The factory activity, industrial production, return of consumer confidence, and housing starts data will provide a further push in case the recovery from the Covid-19 stays strong. Caution is the US dollar. It has already fallen by 7% in 2020 hence a short covering is not denied. Having said that, the overall structure of the US dollar is weak so industrial metal commodities might continue to rally.

Sufficient liquidity in the system has already done the work. Lastly, January tends to be a positive month for commodities due to last-minute buying by China ahead of the Lunar New year celebration in February. So industrial metals prices may appreciate.

Currency Outlook

USDINR

Last month, the rupee appreciated on account of strong gains in the domestic equities market due to robust FIIs inflows. Further, weakness in the dollar index supported the rupee. However, India's manufacturing and services PMI data posted weak reading. This contained gains in the rupee. Dollar demand from importers and RBI also pressurized the rupee. As expected, the RBI kept the interest rate unchanged in the monetary policy meeting. But it did not have any impact on the rupee. During the middle of the month, the rupee traded range-bound amid an absence of fresh cues in the market. The rupee once again appreciated due to a rebound in India's IIP data and strong sentiments in the domestic equities market. CPI inflation moderated too. The sharp decline in the dollar index and fall in India's trade deficit resulted in further rupee appreciation. US President Donald Trump approved the stimulus package. Hence the domestic and global financial markets moved higher. This supported the rupee.

The rupee continues to consolidate around 73.50-74.00 levels in the last couple of weeks. The RBI continues to buy dollars aggressively in the FX market last year to boost reserves. According to the latest data, FX reserves stand at $580.84 billion, for the week ended 25th December. In the current financial year, the RBI has purchased around $105.57 billion, while in the 2020 calendar year, the RBI has accumulated around $119.97 billion. The performance of India's key macroeconomic data has improved. IIP has rebounded to 3.6% in October, from 0.2% in the previous month. CPI inflation has declined to 6.93% in November, from 7.61% in the previous month. Despite a decline in inflation, it remains well above the RBI's comfort zone. Hence the RBI is unlikely to cut interest rates at least in the short term.

Crude oil prices have risen in the international market. This may keep inflation higher in the coming months. Trade deficit has fallen to $9.87 billion in November, from $12.75 billion in the previous month. India's GDP has shrunk by 7.5% in the July-September quarter, after having contracted by 23.9% in the previous quarter. There is a lot of optimism in the global financial markets as many countries have approved vaccines to fight the coronavirus. However, the production and distribution of vaccines for the mass population would take a few more months. India's current account surplus has narrowed to $15.53 billion in July to September quarter, from $19.80 billion in the previous quarter. India's fiscal deficit has surged to 135.1% of 2020-21 budget estimates at the end of November, mainly on account of low tax collection. On the other hand, coronavirus cases are rising by a record in the world. The UK has warned that a new strain of the coronavirus is out of control and suggested parts of England will be stuck in the new, higher tier of restrictions until a vaccine is rolled out. Due to the sustained rise in the new cases, a concern has arisen regarding whether the global economic recovery would sustain or not. Overall, the outlook of the rupee is mixed

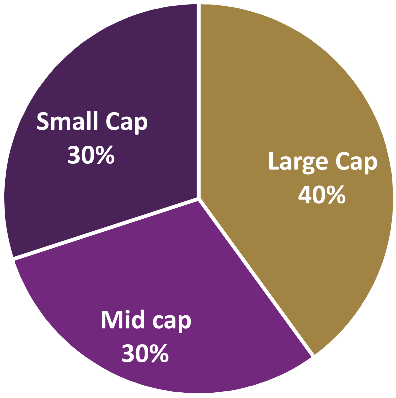
Model Portfolio

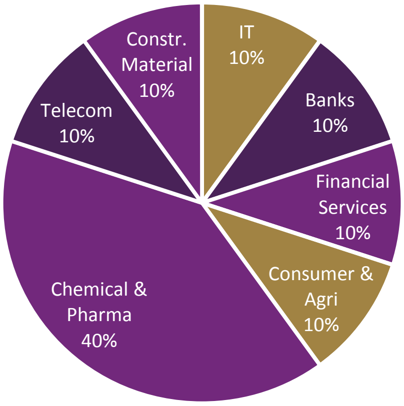
Top Holdings & Market Cap Allocation

Large Cap	% Weight
UPL Limited	10%
ICICI Bank Limited	10%
HCL Technologies Limited	10%
Bharti Airtel Limited	10%

Mid Cap	% Weight
Aarti Industries Limited	10%
Nippon Life Asset Management Limited	10%
Alkem Laboratories Limited	10%

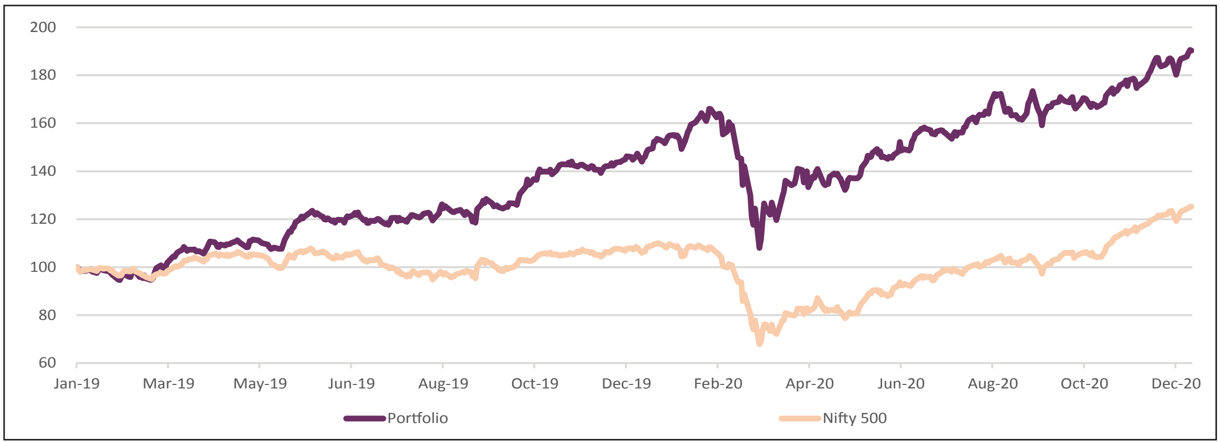
Small Cap	% Weight
Vinati Organics Limited	10%
Heidelberg Cement India Ltd.	10%
Sequent Scientific Limited	10%





Source: Anand Rathi Internal Research.
Note: Basket / Portfolio is Equal-weight with a monthly rebalance strategy. As of 31st December 2020

Basket / Portfolio Performance



Period	Portfolio % Return	Nifty500 % Return
One month	8.2%	7.5%
Three months	14.0%	23.3%
Six months	27.4%	35.9%
One Year	30.9%	16.5%

NOTE: Performance as of 31st December 2020

Anand Rathi PMS

MNC Portfolio

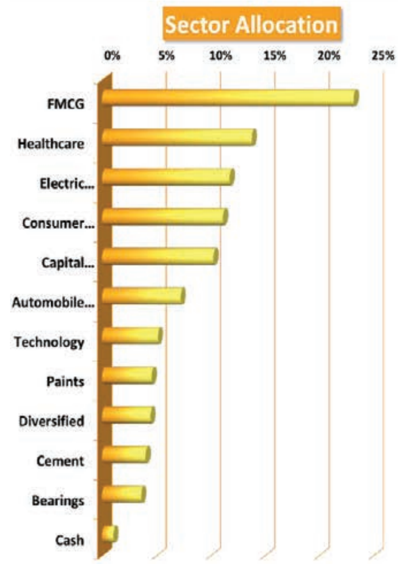
Focus on consistency of return and risk moderation by investing in Multinational Companies listed in India. Investments into listed companies in India in which the foreign shareholding is over 50% and/or the management control is bestowed in foreign company and/or the technological and managerial know-how 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	Maruti Suzuki India Ltd.	7.2%
2	Coforge Ltd.	6.9%
3	Honeywell Automation India Ltd.	6.8%
4	Whirlpool Of India Ltd.	6.4%
5	Hindustan Unilever Ltd.	6.1%
6	Nestle India Ltd.	5.6%
7	KSB Ltd.	5.5%
8	Grindwell Norton Ltd.	4.8%
9	Bata India Ltd.	4.7%
10	3M India Ltd.	4.4%

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



Data as on 31st December 2020

Anand Rathi PMS

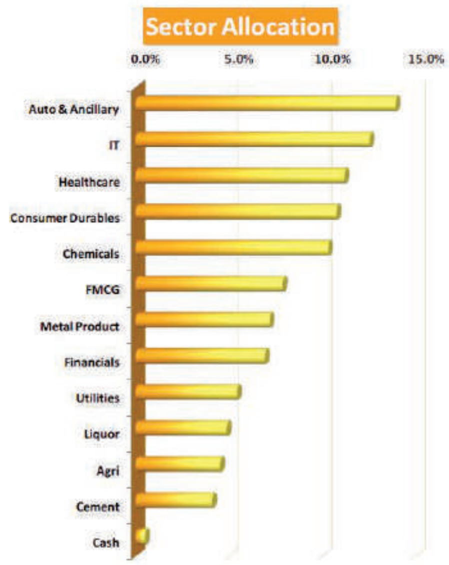
Impress

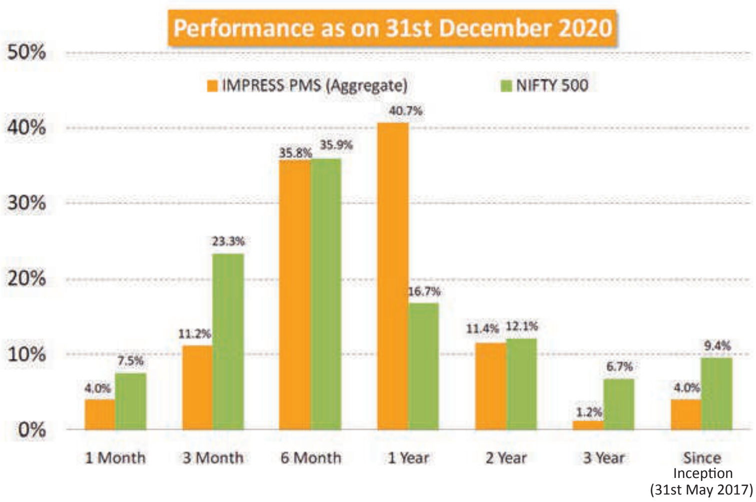
Focus on Return Optimization by investing in multicap portfolio of rising enterprises with sound corporate track record and sustainable business model keeping balance between value and growth strategy.

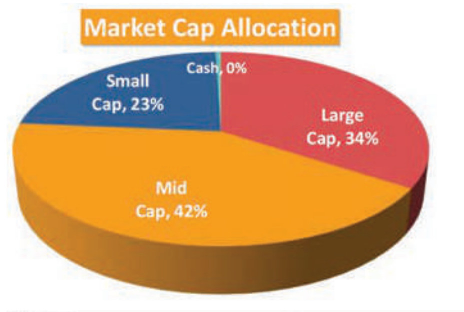
Business model	Improving Market Share, Leadership and Niche Market
Rising Enterprises	Stable and Improving Margin and Improving ROE and ROCE
Sustainability	Visibility of Earning Over Next 2-3 Years and Predictable Business Model
Sound Corporate Track Record	Management Background and Accounting & Corporate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

Top Holdings & Market Cap Allocation

Sr No	Top 10 Holdings	% Holdings
1	Tata Consumer Products Ltd.	7.88%
2	Ratnamani Metals & Tubes Ltd.	7.16%
3	Mindtree Ltd.	6.79%
4	Crompton Greaves Consumer Electricals Ltd.	6.40%
5	Galaxy Surfactants Ltd.	5.97%
6	Coforge Ltd.	5.75%
7	Ceat Ltd.	5.71%
8	Somany Ceramics Ltd.	5.41%
9	Radico Khaitan Ltd.	4.88%
10	TVS Motor Company Ltd.	4.77%







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

Data as on 31st December 2020

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.

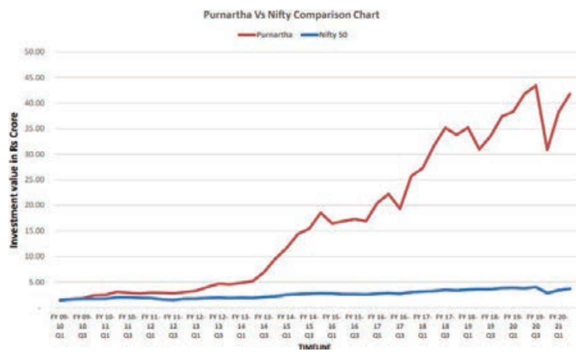
How long you hold is 1,000 times important.

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%

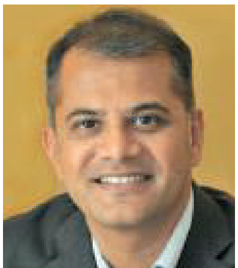
MARCELLUS

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 firmwhich he and his 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 fromIIM 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 amongstthe top 3 UK Insurance analysts
- B Tech from IIT

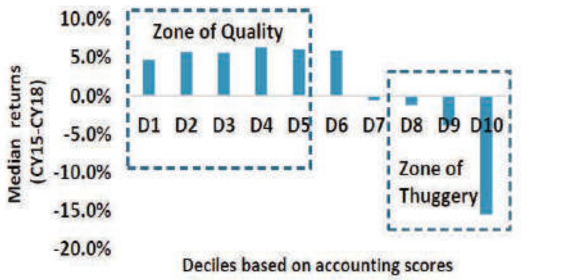
Key steps for identifying consistent compounders

Step 1: Identify companies with clean accounting

Ten forensic accounting checks used to identify naughty companies.

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

Strong correlation between accounting quality and shareholders' returns



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

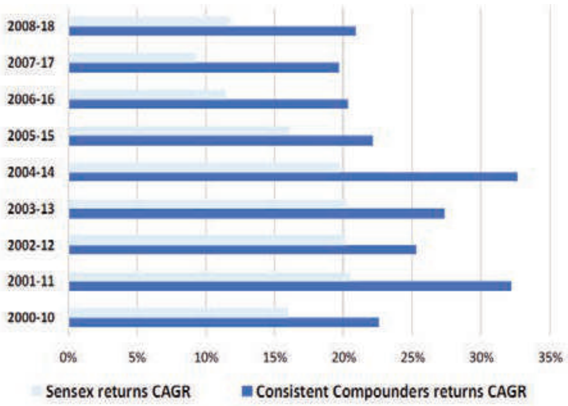
Methodology: We look at over six years of consolidated financials for the universe of firms. Wefirst rank stocks on each of the 10 ratios individually (outlined in the table on the left) These ranks are then cumulated across parameters to give a final pecking order on accounting quality for stocks.

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

Step 2: Identify companies with superior capital Allocation

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

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



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

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

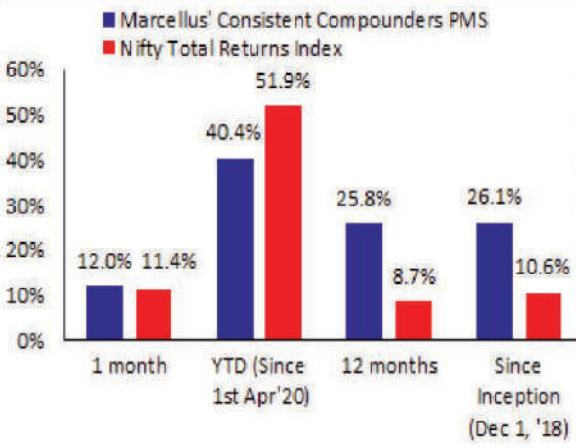
"Most companies tend to focus on short term results and hence that makes them frequently do things that deviate away from their articulated strategy these diversions take them away from the path they have to travel to achieve their long term goals" - **Rama Bijapurkar**
Leading market strategy consultant

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

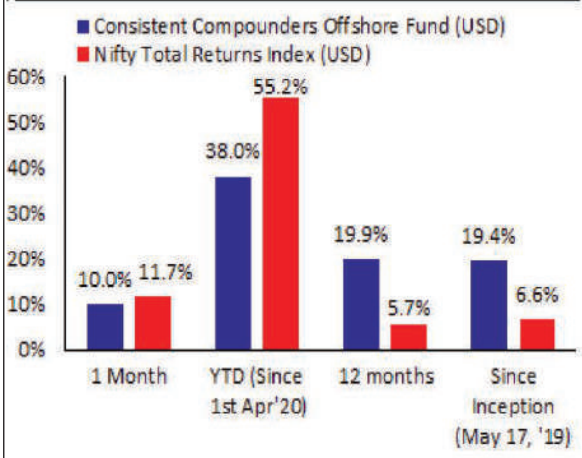
Fund performance (as on 30 Nov’20)

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

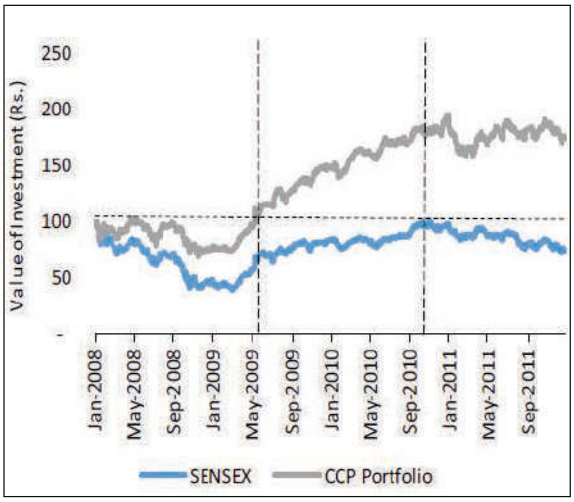
Exhibit 1b: Consistent Compounders offshore fund advised by Marcellus - as on 30th Nov'20 (US$)



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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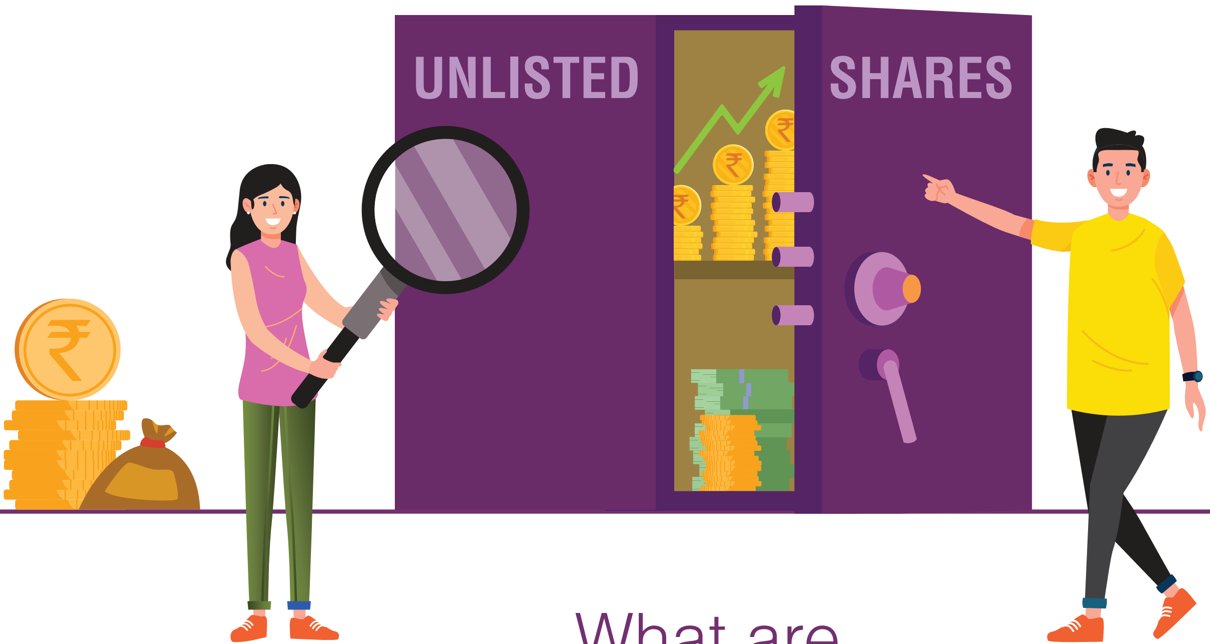

What are Unlisted Shares*?

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 | Carrier | Studds | Kurl-on
OTIS | Philips | merino | CIAL | Epiroc | Kurl-on | Indofil Industries Limited

FINANCIAL

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January 2021

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