AnandRathi
Private Client Group
Equity

FINANCIAL FLASH

November 2021

Index

PCG Communique

From the Desk of the PCG Head

Rajesh Kumar Jain

At the outset, let me take this opportunity to wish you and your near and dear ones a very Happy Diwali and a prosperous new year. From last Diwali to this Diwali we are up by almost 49 percent while BSE Metal, BSE Realty and BSE Industrials are up by more than 100 percent each.

The macro numbers in India have started to show improvement and the international agencies have also lauded India's resilience and prudence in these trying times. As stock markets discount the future, these positives have been largely discounted in the current valuations. In the process, emerging negatives like commodity price inflation, supply chain issues, reversal of monetary stimulus, increase in interest rates across the globe, damage to the asset quality of lenders and slow job creation have probably not got enough attention.

Coming to markets, In Oct, FII has been a continuous seller to a tune of 25,572CR while DII has been a net buyer in Oct to an extent of 4,470 CR. In the aggregate terms for FY 21-22, FII were net seller of approx. 68,499 CR (approx), whereas DII was the net buyer for 47,234CR (approx.). SIP inflows cross Rs 10,000 CR-mark for the first time in a month in Sept. In Sept the SIP figures 10,351CR Vs 9,923 CR in Aug.

The current rally even though backed by earnings growth and better-than-expected economic recovery hitherto was supported by liquidity. The moment FPIs start withdrawing from the Indian market a sizeable chunk of liquidity gets withdrawn. This sucking out of liquidity by a major market participant from the Indian markets can be a big issue. FPIs are clearly seen exiting from the markets in October even as DIIs have also booked some profits in the second half of October. While the DIIs (MFs) are sitting on cash, the IPO market is expected to attract a lot of institutional investors' attention. The IPOs can be expected to compete for money and during such times when the market is in a consolidation mode, liquidity being diverted to IPOs may contribute to further profit booking in the secondary market. Any near-term correction can build a lot of momentum for a long-term investor to buy a quality franchise at a reasonable price and hold. The trick will be to identify the next sectorial leaders.

The market when we entered 2021 was not cheap at all as the benchmark indices rallied by almost 17.45 percent from the beginning of the FY and were up by 22 percent from the start of the calendar year. Now when the market is already up by over 22 percent in 2021, investors are rightfully cautious. There are multiple triggers for the market to halt its forward march and take stock of things before it embarks on its journey northwards.

We all know that at current valuations the market is priced to perfection and most of the front line companies have come out with good quarterly numbers except a few failed to meet investors' growth expectations as priced in the valuations. Such failure to impress investors with super growth has led to a sharp correction in the stock prices of select IT, Chemical & Pharma sectors. The earnings this season has truly been a mixed bag performance. While several IT stocks reported positive numbers, the negative guidance on attrition has spooked investors and punctured the bullish momentum. One of the main reasons why the market is falling is because the FIIs are net sellers and they are selling big into the Indian markets. FIIs have not been comfortable with the valuations of Indian markets and recently we have several FIIs downgrading the Indian markets to 'neutral' from 'overweight', citing high valuations as the key reason. While valuations could be a concern for institutional investors, the strong earning season may arrest the market's downfall.

One of the key features of the earnings this season has been the pressure on operational margins. An increase in input cost has been one of the reasons which has dented the net profit margins and the same is visible across sectors and companies. Even though the margin depression is compensated by the rise in volume, the squeeze in margin poses risk to the profitability of the companies.

The outlook for the Indian equities remains positive in the medium to long term as the fundamentals continue to improve with steady economic recovery. With the market down by almost 4 percent from its recent highs, the valuations will start getting better. Deeper correction can be expected in the broader market space and hence large-cap should be the area to park the investible funds. The outperformance can come from commodities and precious metals if the volatility continues but the underperformance of equities could be temporary.

The market weakness may persist for a little longer than this time; however, the velocity of market fall may be much softer in November if at all the market falls. The earnings have been strong and the global market conditions, especially those of the US and European markets, continue to be strong despite the unique challenges faced by the respective countries. The strength in the global markets and increased attractiveness post-market correction can make some room for the equity prices to inch higher. As equity valuations are high and volatility is on the rise in the equity markets, gold may look attractive to investors at this point in time. I firmly believe that the market will not be going to deliver the same returns that it has delivered in 20-21. Most of the stocks are at a high valuation and might be correct from the present levels. The market is going to be volatile for this Samvat. I am on the opinion that investors will shift a part of their Equity portfolio to safer heavens line Gold.

We believe the market will be in a consolidation phase due to the huge run-up in the one & a half years. As market timing is a tricky business, the effort should be to realign the overall portfolio and maybe readjust allocation to equity and other asset classes in order to stick to the asset allocation plan. This will be useful especially for those investors who have gone overboard with equities in the overall portfolio allocation. Instead of exiting the equity market, rebalancing the portfolio and replacing the stocks based on the outlook for the company will be advisable.

As far as opportunities go, one can look at sectors that have underperformed as they provide a better margin of safety in the current scenario. Keep in mind that correction is part and parcel of the game. Keep an eye on entering stocks as correction may provide some good entry points. The journey from this Diwali to next Diwali could be another extremely rewarding one. However, one needs to continuously watch out for developments happening on all fronts.

Market Commentary

The Nifty index ended the October month at 17,671.65 with positive gains of 0.3%. However, Sensex ended the October month at 59,437.62 with positive gains of 0.54%. It turned out to be a disappointing week of trade for Indian equity benchmarks with frontline gauges snapping five weeks winning streak, as traders remained concerned over China's Evergrande Group's debt crisis and widening power shortage in China. Key gauges made muted start to the week as traders got anxious with RBI's data showing that the country's foreign exchange reserves declined by $1.47 billion to $639.642 billion in the week ended on September 17. Selling on the final day of trade takes domestic bourses below their crucial 17,550 (Nifty) and 58,800 (Sensex) levels, as India's external debt stood at $571.3 billion at end-June, recording an increase of $1.6 billion over its level at the end of March 2021.

Bulls made comeback on Dalal Street after a week of a halt with key gauges ending at record closing high levels, garnering gains of over two percentage points as Sentiments remained jubilant on hopes of strong September quarter earnings, which will start with IT giant TCS. Markets started the week on an optimistic note as sentiments got a boost with former Niti Aayog vice-chairman Arvind Panagariya's statement that the fundamentals of the Indian economy are sound as the real GDP in Q3 and Q4 of FY21 already crossed the pre-pandemic level. Rally on the final day of trade helped markets to end at their record closing highs after Reserve Bank kept the key benchmark rates unchanged for the eighth consecutive time and promised to maintain the status-quo on rates as long as necessary to revive growth.

Markets made an optimistic start to the week as traders found support with Commerce and Industry Minister Piyush Goyal's statement that the country's exports are growing at a healthy rate and now exporters can aim for $450-500 billion of outbound shipments during the next fiscal year. Sentiments remained jubilant with World Bank's report that buoyed by an increase in public investment and incentives to boost manufacturing, India's economy is expected to grow by 8.3 percent in the fiscal year 2021-22. Sentiments also remained up-beat as International Monetary Fund (IMF) said that India's economy, which contracted by 7.3 percent due to the COVID-19 pandemic, is expected to grow by 9.5 percent in 2021 and 8.5 percent in 2022.

Indian equity benchmarks ended the passing week in red terrain as traders opted to book profit in blue-chip stocks after a strong recent rally. Markets started the week on an optimistic note as sentiments got boosted with Union Finance Minister Nirmala Sitharaman's statement that the Indian government remains committed to bringing the economy on the path of fiscal consolidation in the near-to-medium term, setting the target to reduce fiscal deficit to 4.5 percent by 2025-26. Markets participants continued to remain on the sidelines on the final day of trade despite ICRA's report that the economy finally looks nearly out of the pandemic woods, helping the Q2 GDP print at 7.7 percent, with half of the 15 high-frequency indicators recovering to the pre-pandemic levels in the second quarter.

Massive selling in the latter part of the week dragged markets lower during the passing week as traders opted to book profit from the recent rallies. Key gauges made a slightly positive start as traders took some support with India Ratings & Research's report stating that the recently-concluded normal monsoon season will provide a much-needed cushion to both India's agriculture and inflation in 2021-22. Massive selling in the final two days of the week dragged local bourses near their crucial 59,300 (Sensex) and 17,650 (Nifty) levels, as traders remain concerned with a report from the Euro-Mediterranean Center on Climate Change (CMCC) said that in India, the decline in rice and wheat yields due to climate change could lead to economic losses between 43-81 billion EUR (or 1.8-3.4% of GDP) by 2050. Traders remained cautious, amid a private report stating that Indians sending money to other countries have ended up paying Rs 26,300 crore as foreign exchange fees in 2020, despite the pandemic.

In terms of economic performances, the IHS Markit India Manufacturing Purchasing Managers' Index (PMI) rising from 53.7 in September to 55.9 in October, pointed to the strongest improvement in overall operating conditions since February.
The IHS Markit India Services PMI rising from 55.2 in September to 58.4 in October, signaling the strongest rate of growth in ten-and-a-half years. According to panel members, ongoing improvements in demand boosted the growth of sales and subsequently output. The combined Index of Eight Core Industries stood at 126.7 in September 2021 which increased by 4.4% as compared to the Index of September 2020. Coal, Natural Gas, Refinery Products, Fertilizers, Steel, Cement & Electricity recorded growth whereas Crude Oil recorded negative growth.

India's retail inflation, measured by CPI marginally eased to 4.35 % in the month of September as compared to 5.3% in August, staying within the Reserve Bank of India's (RBI) comfort zone for the third straight month. The moderation in inflation figure is mainly on account of moderating food prices that offset a surge in the cost of crude oil and fuel. Wholesale price-based inflation (WPI) eased to 10.66% in September, however remained in double digits for the sixth consecutive month. The deceleration was caused by a fall in food prices for the second month in a row.

Regarding export-import activity, India exports grew by 42.33% year over year at $35.47 billion in October while imports increased by 62.49% year over year to $55.37 billion. The Goods and Services Tax (GST) collection in September stood at ₹1,30,127 crore.

Also, India's foreign exchange reserves decreased by $908 million to $640.1 billion in the week ended October 22. Foreign currency assets (FCAs), a key component of the overall reserves, declined by $853 million. Additionally, Foreign Portfolio Investors (FPIs) were net sellers of Rs. 12,437 crores in the month of October, driven by net outflows in equity of Rs. 13,550 crore.

On the global front, the U.S. markets ended higher during the passing week. The strength of markets reflected a largely positive reaction to the latest batch of earnings news from several big-name companies. Besides, support also came in as new home sales in the U.S. skyrocketed in the month of September, according to a report released by the Commerce Department. However, U.S. economic growth slowed dramatically in the third quarter, according to preliminary data released by the Commerce Department.

In the labor market, first-time claims for U.S. unemployment benefits decreased in the week ended October 23rd, according to a report released by the Labor Department. The report said initial jobless claims moved lower to 281,000, a decrease of 10,000 from the previous week's revised level of 291,000. The street had expected jobless claims to drop to 290,000 from the 291,000 revised level reported for the previous week. Meanwhile, IHS Markit signaled a steep improvement in operating conditions across the U.S. manufacturing sector. Although the overall upturn slowed to the softest in 2021 so far, the expansion in new orders remained sharp and historically elevated. IHS Markit U.S. Manufacturing PMI stood at 58.4 in October, down from 60.7 in September.

The eurozone manufacturing sector lost further momentum in October, the latest PMI data showed, as supply-side issues interrupted production schedules and dented order books, causing the growth of both metrics to slow. The final reading of the IHS Markit Eurozone Manufacturing PMI dipped to 58.3 in October, from the 'flash' estimate of 58.5 and down from 58.6 in September. As per the report of the global data firm, "Eurozone manufacturers reported a worsening of the supply chain situation in October, which curbed production growth sharply during the month. Average delivery times for raw materials lengthened at a rate exceeded only twice in almost a quarter of a century of survey data as companies reported demand once again running ahead of supply for a wide variety of inputs and components. Production constraints at suppliers were reported alongside a growing list of logistical issues. These include a lack of shipping containers and inadequate freight capacity, port congestion, driver shortages and broader transport delays linked mainly to the pandemic."

The final au Jibun Bank Manufacturing PMI rose from 51.5 in September to 53.2 in October. This indicated a ninth consecutive monthly improvement in the health of the sector, with the pace of expansion the quickest since April.

Regarding China, The National Bureau of Statistics reported that the official manufacturing PMI for the month of October fell to 49.2 from 49.6 in September. The country's non-manufacturing PMI, which gauges sentiment in the services and construction sectors, was down to 52.4 in October from 53.2 in September.

Going Ahead

In India, the vast majority of economic activities including agriculture, manufacturing, utilities, infrastructure, most segments of services activities, exports, and imports have already surpassed the levels that prevailed before the pandemic. With infection and mortality rates down significantly and in view of India achieving the unique milestone of administering 100 crore vaccines, near-full normalcy is likely to return by the end of 2021.

The US Federal Reserve Policy meeting is scheduled to be held between November 2-3. The meeting, which will kick off on Tuesday, will be a key event hinting towards the expected bond tapering and its timing. Global investors would be keenly watching the commentary and catching up on cues from the central bank, which may impact the risk sentiments.

The earning season for India Inc is likely to continue its momentum in the first week of November. Thus far, domestic companies have reported a mixed bag in terms of earnings, which has failed to boost the enthusiasm among traders. Further, the festive mood on Dalal Street will gather momentum with a super-strong activity in the primary market.

The new variant of coronavirus is a concern across the globe as its latest mutation named, AY4.2, has been on the rise in the United Kingdom and other parts of the globe. However, the new variant is a rare phenomenon in India thus far but a few cases in southern Indian states have been reported. The same remains a matter of concern to watch for in the coming days.

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

Equity Outlook

Global equities gained 5% in October 2021. In the quarter, global GDP growth expanded but there was a substantial step back in the speed of the recovery. The pace of recovery was interrupted by the intensification of manufacturing supply constraints and an inflation surge that had taken a heavy toll on goods demand. As pandemic headwinds fade, the pro-growth bias and healthy private-sector balance sheets would unleash pent-up demand for services and stock-building. MSCI India underperformed MSCI EM marginally after a strong outperformance in September 2021. MSCI India has outperformed MSCI EM by more than 20% in CY-2021. The outperformance of Indian markets can be attributed to India's insulation from a potential slowdown, steady trends on the pandemic front, govt. reforms/relief measures (Telcos, Auto, Banks etc.) and record low-interest rates which placed India in a relatively better position than other economies. Indian equity market after reaching record highs in the first half, corrected in the second half of the month, S&P BSE Sensex settled with almost flat gains. Stretched valuations, rising crude and mixed earnings were some of the reasons that could be attributed to the sell-off. Covid cases during the month remained under control even as vaccine doses crossed the 1bn mark. S&P BSE Midcap and S&P BSE Smallcap indices underperformed the broader markets and posted a return of 0.1% and -0.4% respectively. We believe Indian markets are underpinned by the following factors: 1. Gradual reopening of the economy 2. Healthy vaccination rate 3. Robust earnings outlook 4. RBI policy stance 5. Capex push by the govt.

In sector trends, domestic cyclical outperformed, Auto, Banks and Utilities were the standout performers, mainly a catch-up act and sentiments improving due to economic activity improving. FMCG, Pharma and Realty were the laggards. (FMCG: Fast Moving Consumer Goods)

FPI flows turned negative in both the debt and equity markets. Domestic mutual funds purchased stocks for an eighth consecutive month. The total institutional activity turned negative for the first time in 6 months. (FPI: Foreign Portfolio Investment)

Other key developments include: (1) the RBI MPC decided to keep policy rates and accommodative stance unchanged, (2) PM announced GatiShakti to boost India's infra development, (3) the minutes of the FOMC's September meeting highlighted that the Federal Reserve could begin reducing asset purchases as soon as mid-November (4) Moody's changed India's sovereign rating outlook from 'negative' to 'stable.

Our view going forward:

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

Debt Outlook

The economic activity gained traction due to the fall in Covid-19 infections, easing of restrictions, and a sharp pick-up in the pace of vaccination. RBI's Consumer Confidence Survey for September 2021 showed that a larger proportion of the respondents reported improvement in the general economic situation compared to the July 2021 survey. Retail inflation based on Consumer Price Index (CPI) softened to 4.35% in September 2021 as food prices dropped. The CPI inflation was at 5.3% in August 2021 and at 7.27% in September 2020. The inflation outlook for the Oct-Dec 2021 period is likely to remain within the comfort range of the Reserve Bank of India (RBI), mainly due to a high base and easing food prices. Gilt securities saw an uptick in yields with the benchmark 10-year going up to 6.39% as on October 29 from 6.22% as on September 30. Higher volatility was visible in the shorter end of the curve, with the 2-Y yield touching 5.06% on Oct 22 from 4.70% as on Sep 30. As the LAF (Liquidity Adjustment Facility) corridor was widened last year, short-term rates fell more than long-term rates. The market expects short-term rates to rise over the next year as the central bank begins to normalize liquidity conditions. As uncertainty reduces, the inflation target is well internalized, and government borrowing requirements reduce, term spreads could fall further. The yield curve is likely to flatten, although oil price uncertainty risk prevails.

In its October meeting, the Monetary Policy Committee kept key policy rates unchanged, continuing its accommodative stance while remaining cautious over emanating risks. In a move that hinted at normalization of monetary policy, the central bank discontinued its government securities acquisition program (G- SAP) and stepped up liquidity withdrawal via variable rate reverse repo (VRRR) auctions, with a targeted Rs 6 trillion from Rs 4 trillion currently. The RBI is also testing a longer 28-day VRRR auction. While the RBI is not permanently reducing the excess liquidity in the market, it is trying to absorb it via VRRR on a durable basis. At the same time, the RBI is trying to reduce the steepness of the longer end of the yield curve by targeting the shorter end of the curve.

We believe the economy will continue to revive, supported by the ebbing of infections, the robust pace of vaccination, Govt's focus on capital expenditure, supportive monetary and fiscal measures and buoyant external demand. But increasing volatility in the shorter-end of the yield curve warrants a more active duration strategy to sail through rising interest rates. Also, as communicated earlier, the below-mentioned strategy would provide better accrual (an active strategy that may take advantage of higher term premium) and would help in mitigating mark-to-market impact (active strategy of having adequate short-duration instruments). It may be an opportune time to invest in a floating-rate bond in this interest rate scenario to hedge interest rate volatility. In the coming year, we recommend the following strategies: Accrual Strategy and Active Duration strategy. Accrual strategy due to high spread premium which is still prevalent between the spread assets and AAA & MMI instruments, as going forward capital appreciation strategy may take a back seat due to limited rate cuts. Term premiums (spread between longer and shorter end of the yield curve) remain one of the highest seen historically, because of which active duration strategy is recommended to benefit from the high term premium. In our portfolios, we may follow barbell strategy i.e having high exposure to extreme short-end instruments with an aim to protect the portfolio from interest rate movements and high exposure to long-end instruments with an aim to benefit from higher carry.

Focused Equity Mutual Funds and Returns

Large Cap	1 Years	3 Years	5 Years	Since Inception
Mirae Asset Large Cap Fund	46.54	20.03	17.10	16.58
Canara Rebeco Bluechip Fund	44.94	23.35	18.09	13.80
Franklin India Bluechip Fund	58.93	19.03	14.17	17.03
Large & Midcap				
Kotak Equity Opportunities Fund	49.27	22.09	16.05	18.98
Flexi Cap				
Canara Robeco Flexi Cap Fund	50.04	24.01	19.03	18.91
Parag Parikh Flexi Cap Fund	55.67	30.31	22.52	21.13
HDFC Flexi Cap Fund	67.26	18.02	15.23	18.75
Midcap Fund				
Kotak Emerging Equity Fund	68.27	26.68	17.78	14.48
DSP Midcap Reg Gr	46.72	22.96	16.03	16.09
Focused Fund				
SBI Focused Equity Fund	61.90	26.02	19.15	20.62
ICICI Pru Focused Equity Fund	62.52	20.00	15.69	13.98
ELSS				
Aditya Birla SL Tax Relief '96 Fund	31.27	13.22	12.59	11.22
Axis Long Term Equity Fund	49.41	22.91	18.38	18.63
Mirae Asset Tax Saver Fund	56.17	25.76	21.33	21.90

Source: Anand Rathi Internal Research.

Note: Such representations are not indicative of future returns.

Commodities Outlook

Just before Diwali, Gold demand bounced back in India

Spot gold rose 1.5% in October and closed at $1,783.38 per troy ounce owing to safe haven buying amid stagflation fears and rise in jewelry demand. Investors feared that higher inflation might force Fed for rate hikes which might eventually hurt growth and sought safe-haven gold. According to the World Gold Council, jewelry demand continued to draw strength from the ongoing global economic recovery and Q3 demand rebounded 33% y-o-y.

(Source: Bloomberg)

However, SPDR Gold Trust, the world's largest gold-backed ETF fell 0.45% in the month of October from 986.54 tonnes to 982.14 tonnes in October as investors continued to slash holdings in the precious metal on concerns of tapering and rate hikes.

MCX gold December future finished the month with a gain of approx. 2.4% or 1,114 points and closed at Rs. 47,635 per 10 / gram. MCX gold in 2021 so far, has slipped by 4%. MCX Silver, which fell for four back-to-back months from June to September, has experienced short-covering and closed with a gain of more than 8% in October, closed at Rs. 64,534 per kg, registering a gain of more than Rs. 4,900 points.

The yellow metal attempted to surpass the $1,800 mark in September several times, the latest one after the US economy expanded by 2%, the weakest pace since the beginning of the pandemic, owing to a surge in supply chain snarls and covid-19 cases. However, a 4.4% rise in the core PCE price index, the Fed's preferred inflation measure, at levels not seen for more than three decades, drove the rally in the dollar and erased the previous gains in gold.

(Source: Bloomberg)

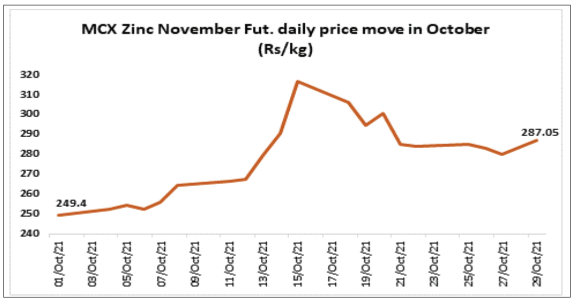
Spot silver rose 7.81% in October and closed at $23.9 per troy ounce after hitting a multi-month low of $21.4 per troy ounce in August. A sharp rally in base metals and positive sentiments in the bullion helped the rally in silver. The white metal reached an 8-year peak of $30/oz in February on prospects that a global shift towards green technologies, such as solar panel production, would boost demand, but has since declined more than 20%. MCX Silver December futures rose 8.25% and closed at Rs.64,534 per kg in October.

In the Fed policy outcome, Powell once again reiterated that there's no mechanical link between rate hikes and tapering and further healing in the labor market is required for rate hikes. The Committee also said that it expects to maintain an accommodative stance of monetary policy until maximum employment is met. Even though the decision has been a breather for the yellow metal, the key parameters to watch closely in the coming days would be labor market and inflation pressures which might decide the future course of rate hikes. Gold is expected to inch higher in November owing to the strong recovery in the retail demand according to the WGC. Commencement of wedding season in the top consumer India is positive for the jewelry demand. MCX Gold December futures are expected to rise to Rs. 49,000 per 10 grams in the month of November.

Outlook for base metals continue to be bright

In October, MCX Zinc soared as Glencore cut output on rising energy costs.

MCX Zinc appreciated to record Rs. 326.8 before cooling down and finished October with more than 13% gains. LME Zinc surged to the highest since May 2007 after a second big producer said it's curtailing European output



because of surging energy costs, raising the threat of a supply crisis for the metal used to galvanize steel. Glencore Plc's move to cut production across its three European zinc smelters added to further strain on regional supply after Nyrstar started curtailing its plants in France, Belgium and the Netherlands by as much as 50%. The global market was expected to be roughly balanced next year before this week's announcements, and Nyrstar's cuts alone could remove about 2.5% of the annual global supply. MCX Aluminum was the only industrial metal that experienced a correction in the month. LME Aluminium slipped after China launched measures to tackle an energy crisis that's pushing up global commodities prices and threatening economic growth. The shift began as various arms of China's government announced policies aimed at stabilizing power supplies for the winter. Authorities are mulling intervention in the coal market to ensure "reasonable" prices, and coal futures sank from a record high. Aluminum, a heavily energy-intensive material that's already seen big output cuts in China, slipped, with futures in Shanghai tumbling nearly 9%.

Going ahead, the outlook is bullish for base metals as China posted a record monthly trade surplus in October after exports surged despite global supply-chain disruptions. The strong trade performance is providing support for a Chinese economy that's slowed sharply in recent months due to weak domestic demand caused by a real estate downturn, electricity shortages that have slowed industrial output, and weak consumer spending worsened by sporadic outbreaks of the coronavirus.

Moreover, demand for the industrial metal is likely to go up as the US Congress passed a $1 trillion infrastructure bill. Biden's administration will now oversee the biggest upgrade of America's roads, railways and other transportation infrastructure in a generation, which he has promised will create jobs and boost U.S. competitiveness. MCX Copper November may rise to Rs. 760 per kg and Nickel is expected to appreciate to Rs. 1,520 per kg in November.

Crude oil rebounds to a multi-year high on account of tight supplies amid rising demand

WTI Crude oil rose 11.87% in October and closed at $83.57 per bbl, near a seven-year high, owing to tight supplies coupled with higher demand. Crude oil output remains limited at a time when the global economy is recovering from the COVID-19 pandemic and demand has picked up faster than expected. MCX Crude oil November futures rose by 12.54% for the month of October, in line with the global benchmark. Prices rallied in October as the Asian and European energy supply crunch spurred expectations of higher demand for oil products such as fuel oil and diesel to replace natural gas for power generation amid record-high gas prices. High coal and Natural gas prices increased the attraction of crude oil as an alternative fuel for power generation. Later, Beijing's plans to increase coal output by 12 million tonnes a day, easing an energy crunch that's pushing up global commodities prices and threatening economic growth, capped the gains in crude.

Oil declined further after the US crude oil inventories rose by 3.291 million barrels in the week ending October 29th, following a 4.267 million advance in the previous period and compared with market forecasts of a 2.225 million increase, adding to the pressure on prices. US crude supplies have been rising more than expected for the past two weeks, raising concerns. Meanwhile, Iran and six world powers agreed to resume on November 29, for talks on reviving the 2015 Iran nuclear deal in Vienna after discussions halted in June. Iran has demanded that the United States remove sanctions that have been limiting its oil exports and any removal of U.S. sanctions on Iranian oil, might add to global supplies.OPEC and its allies agreed at a meeting on Thursday to stick to plans to raise oil output by 400,000 barrels per day from December, in line with market expectations despite calls from the United States for extra supply to cool rising prices. Retaliating to the decision, the White House replied that it will consider "the full range of tools" to protect the economy, which took the prices below the $80 mark per bbl.

Even though coal prices have cooled a bit due to Chinese intervention, energy prices are still expected to rise with the onset of Northern winter, which might increase the demand for crude oil as an attractive alternative. The crude oil inventories in the coming weeks along with the US decision to tap the Strategic Petroleum Reserve can be closely watched. MCX Crude oil November futures are expected to rise to Rs.6,400 per bbl in November.

Anand Rathi PMS

MNC Portfolio

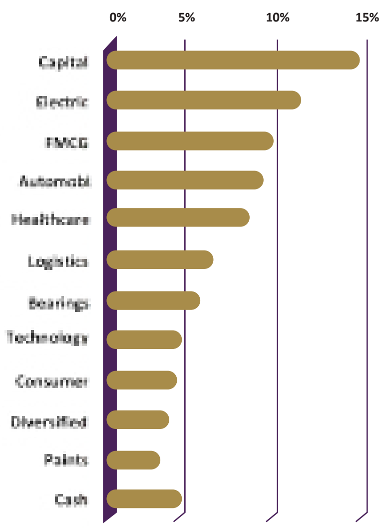
Focus on consistency of return and risk moderation by investing in Multinational Companies listed in India. Investments into listed companies in India in which the foreign shareholding is over 50% and/or the management control is bestowed in foreign company and/or the technological and managerial know-how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

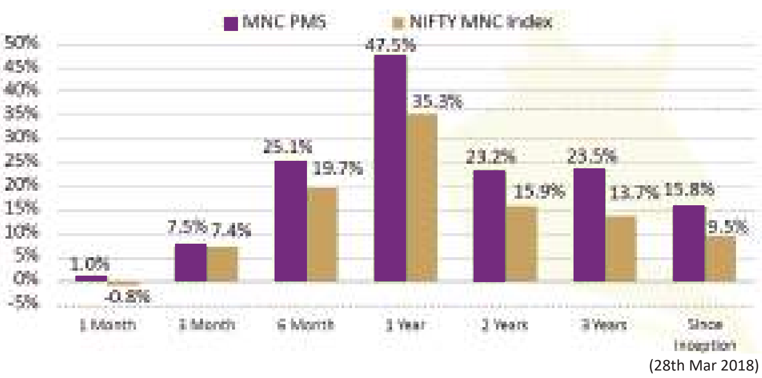
Top Holdings and Allocation

Sr. No.	Top 10 Holdings	% Holdings
1	KSB Ltd.	8.6%
2	Grindwell Norton Ltd.	8.2%
3	Blue Dart Express Ltd.	6.6%
4	SKF India Ltd.	6.3%
5	Honeywell Automation India Ltd.	5.8%
6	BASF India Ltd.	5.5%
7	Maruti Suzuki India Ltd.	5.4%
8	Siemens Ltd.	5.2%
9	Mphasis Ltd.	5.2%
10	Hindustan Unilever Ltd.	4.9%

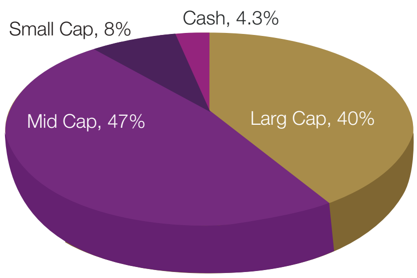
Sector Allocation



Performanceas on 31st October, 2021



Market Cap Allocation



Data as on 31st October 2021

Source: *Anand Rathi Internal Research.*

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

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

Anand Rathi PMS

Impress

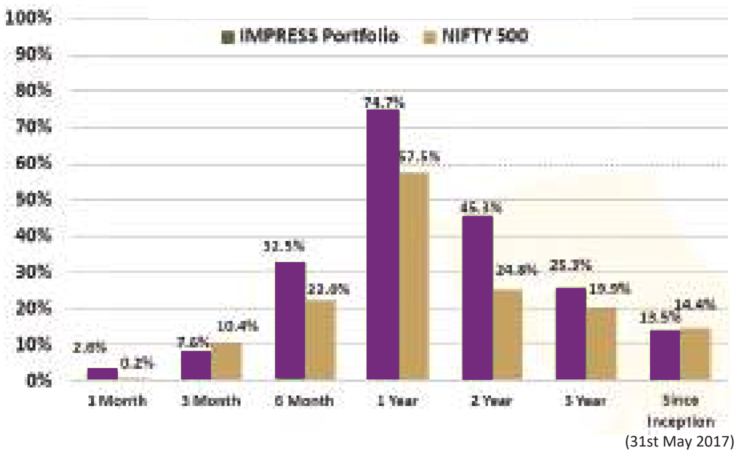
Focus on Return Optimization by investing in multicap portfolio of rising enterprises with sound corporate track record and sustainable business model keeping balance between value and growth strategy.

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

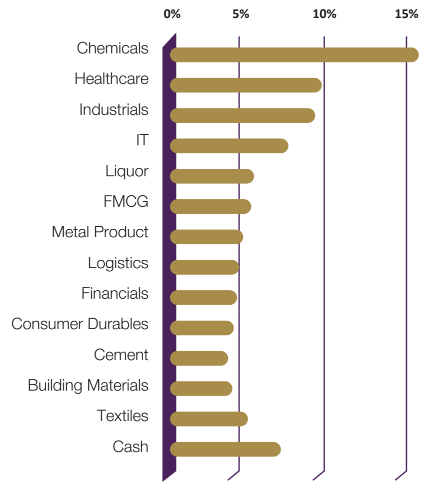
Top Holdings & Market Cap Allocation

Sr. No.	Top 10 Holdings	% Holdings
1	Solar Industries India Ltd.	7.0%
2	Radico Khaitan Ltd.	7.0%
3	Tata Consumer Products Ltd.	6.1%
4	Ratnamani Metals & Tubes Ltd.	5.7%
5	Galaxy Surfactants Ltd.	5.4%
6	Aarti Industries Ltd.	5.4%
7	Carborundum Universal Ltd.	5.4%
8	K.P.R. Mill Ltd.	5.1%
9	Blue Dart Express Ltd.	5.1%
10	Hikal Ltd.	5.0%

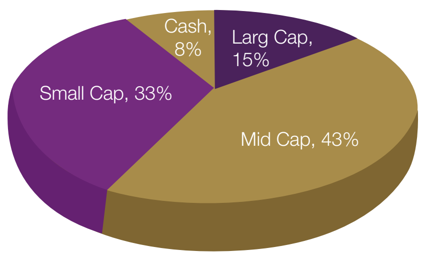
Performanceas on 31st October, 2021



Sector Allocation



Market Cap Allocation



Source: *Anand Rathi Internal Research.*

Data as on 31st October 2021

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

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

Structure Product Idea

Nifty Accelerator

Product Name	Nifty Accelerator - 100%	
Issuer	Anand Rathi Global Finance Limited	
Underlying	Nifty 50 Index	
Capital Guarantee	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 50th, 53rd, & 56th Month.	
Nifty Performance (NP)	(Final Fixing Level/Initial Fixing Level)-1	
Contingent Coupon (CC)	100% (IRR – ~14.45%)	
Participation Rate (PR1)	100% (From 108% to 133% of Initial Fixing Level)	
Participation Rate (PR2)	7500% (From 132% to 133% of Initial Fixing Level)	
Decay Multiple (DM1) Knock-In Put @ 85%	1.25x (below - 85% till -30% fall with catch-up)	
Decay Multiple (DM2) Nifty @ 70% of initial	0.25x (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-32%)*PR2
	If Final Fixing Level is 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))

Product IRR* **14.45%**

Tenor **1875 Days**

Target Nifty Perf. **33%**

Product Explanation

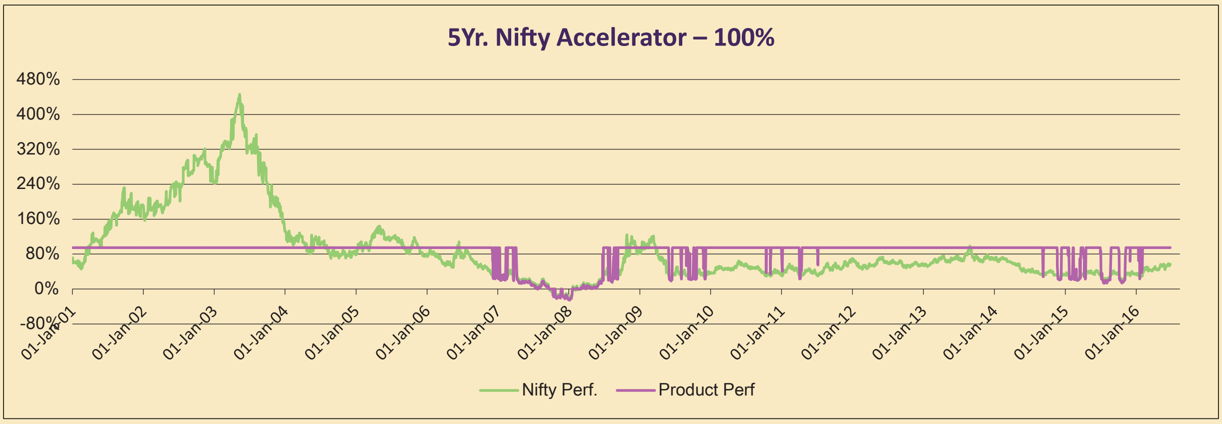
NP >= 33%	100% (Contingent Coupon)
33% < NP < 33%	Max (0%,(NP-32%)*PR2
8% < NP < 33%	(NP-8%)* PR1
-15% <= NP <= 8%	Principal Protection
-30% <= NP < -15%	1.25x Decay with Catch-up
Nifty falls beyond -30%	Decay decreases to 0.25x

*Product IRR assume to be Pre-Tax IRR
•NP: Nifty Performance
^ Initial Fixing Level is taken as 15778, adding 150 points contingent: 15928, rounded off to next 100: 16000.
**Historical Standard Deviation is calculated for 1710 days daily rolling NIFTY (Working Days Only)return from 1st Jan'2001 - 29th July'2021

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

Nifty Accelerator - 100%: Product Back Testing

Historical 1710 Day Rolling Return (Nifty Working Days Only)



NIFTY Accelerator - 100% Probability		
Particulars	**Normal**	**%**
Total Observation	3959	
% of Product Has Given Maximum Returns (100%)	3346	84.52%
% of time Product has given zero or positive returns	3940	99.52%
Standard Deviation		**4.43%**

The information provided is this communication is reproduction of factual details. No part of information provided herein 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.*Historical probability & Standard Deviation is calculated considering coupon of 100% and 1710 Day daily rolling Nifty (Working Days Only) returns as on 29th July'2021 Nifty Data from January 2001 to 29th July'2021.

Technical Analysis

The previous month was full of action for our domestic markets as we witnessed a tug of war between both the parties with no result at the end of the month. We have this say because the month of Sept 2021 ended near 17600 mark for NIFTY spot post which we witnessed a single side move on the upside where the index NIFTY spot registered an all-time high of 18604. This happened during the first half of the month. The later part belonged to the bear as they completely dominated and brought the index back near 17600 mark. Thus eventually it was a month full of volatility but with no result as the index NIFTY ended with marginal change. With regards to the derivative series, we have seen some heavy shorts by the FIIs and other participants in the index futures but the rollover data indicated that much of them are booked. Thus the month of Nov 2021 would start on a fresh note.

Technically there are too many observations on different time scale. Starting with the monthly chart, we are witnessing a Doji kind of candlestick pattern which indicates a pause at current levels. On the weekly chart we are witnessing two consecutive red candles after a long time. This indicates that now the bears have some upper hand. However on the daily chart we are witnessing, that NIFTY has been moving in a broadening pattern. The index got stuck at the upper range of that pattern during the month and we saw the corrective move.

Now the index is hovering at the lower end of the broadening pattern which indicates that the low of 17613 would be very critical in the coming week. Below that the index might find support near 17300 mark which is the previous swing low and also the placement of rising parabolic trend line on the daily chart. That is the zone which could be the strong support in case of further selloff. We advise traders to start accumulating quality stocks in this range since the broader outlook is still very bullish. On the upside, 18000 would be a trigger level for the bulls. A sustainable move above the same might bring the markets back to new high in the month of Nov 2021.

At last we witnessed the dominance and outperformance of NIFTY BANK index during the month of Oct 2021. The NIFTY BANK index not only surpassed our expected levels of 40000 but almost tested the 42000 mark. On the whole it rallied more than 10% during the week and despite the correction in the second half of the month, the index managed to clock the gains of over 4% from its previous month's closing. Now the range breakout in the index has a theoretical target of 44000 – 46000 but that might take few months from here on. For the coming month, 38000 would be an intermediate support. If this support is held then we expect index to retest 42000. On the other hand, we expect the bigger target of 46k till the time NIFTY BANK is trading above 36000 mark.

BUY TCS

POTENTIAL UPSIDE 11%-15%

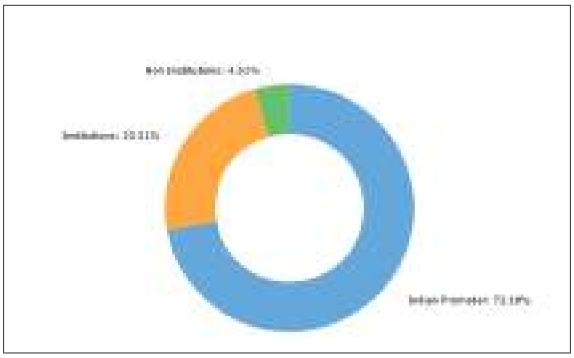
- The given weekly chart of **TCS** depicts that the stock is very much near to its rising trend line support.

- In addition the stock is trading at its previous breakout zone of 3400 which also coincides with the 61.8% Fibonacci retracement of the previous move.

- The stock has corrected almost 15% from the recent top and is now a bit oversold on the lower degree charts.

- We are witnessing a hidden divergence on weekly RSI which indicates possibility of bottoming out. Traders are advised to accumulate the stock **in the range of 3400 - 3360** with a stop loss of 3125 on closing basis for the upside potential target of 3750 followed by 3890 levels in coming months.

Shareholding snapshot:



Action	
Stock	**TCS**
Sector	IT
Entry	3360-3400
Average	3252
Stop Loss	3125
Target 1	3750
Target 2	3890
Stock Information	
Market Cap. (Rs)	12,57,233 crs
52 week High/Low	3990 / 2600
Face Value	1
O/S Shares	3,69,90,51,373
Beta (x)	0.62
Technical Parameters	
21 DEMA	3598
100 DEMA	3511
200 DEMA	3290
Derivative Parameters	
OI	110686
Change in OI	1.35%
Rollover	-

Source: *Bloomberg, Trading View, Spider, marketsmojo*

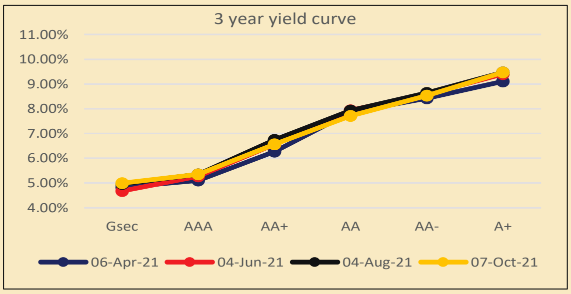
Fixed Income Services

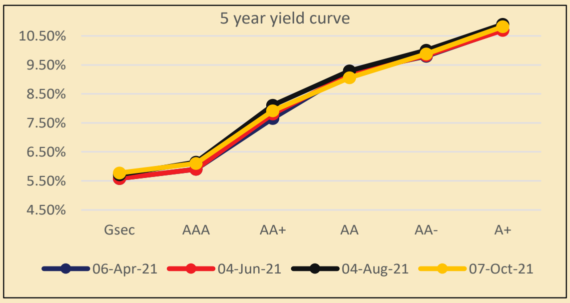
The Monetary Policy Committee (MPC) unanimously kept the Repo and the Reverse Repo rate unchanged in its October, 2021 review, with a 5 to 1 majority to continue with the accommodative stance as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19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

Key Takeaways:

- The projection for CPI inflation has been revised to 5.3% during 2021-22; 5.1% in Q2; 4.5% in Q3; and 5.8% in Q4 of 2021-22, with risks broadly balanced. CPI inflation for Q1:2022-23 is projected at 5.2%.

- The projection of real GDP growth for 2021-22 is retained at 9.5% in 2021-22 consisting of 7.9% in Q2; 6.8% in Q3; and 6.1% in Q4 of 2021-22. Real GDP growth for Q1:2022-23 is projected at 17.2%. The policy was in line with market expectations, with the MPC maintaining a unanimous status quo on rates. The RBI announced an increase in the quantum absorbed under the 14-day Variable Reverse Repo Rate (VRRR) to INR 6 trillion by December from the current INR 4 trillion. It decided to discontinue the Government Securities Acquisition Plan (G-SAP) but also assured markets that they would conduct Open Market Operations or Operation Twists if needed. These measures would smoothly reduce the excess liquidity. G-Sec yields hardened post the policy, with the yield curve continuing to be steep. The RBI may begin a gradual exit from the current loose monetary policy by reducing the short-term liquidity through the increased VRRR and G-SAP discontinuation. However, weaker than expected growth could push the policy normalization timelines. Credit yields have eased in the AA+/AA space since our last update as seen below:





Secondary Market Bond Offers

Security	Maturity/C	IP	Rating	Yield
Tax Free Quotes				
7.32% IRFC 2023 (Reset Coupon 7.07%)	21-Dec-25	Annual on 15-Oct	IND AAA/Stable	4.40%
8.30% PFC 2027	1-Feb-27	Annual on 16-Dec	IND AAA/Stable	4.30%
PSB Perpetual Quotes				
Security	**Maturity/C**	**IP**	**Rating**	**Yield**
7.72% SBI Perp 2026	18-Oct-26	Annual on 18-Oct	AA+ by CRISIL & IND	7.53%
8.50% Bank of Baroda 2025	28-Jul-25	Annual on 28-Jul	AA+ by CRISIL & IND	7.16%
PSU Quotes				
Security	**Maturity/C**	**IP**	**Rating**	**Yield**
7.05 NHAI 2041	28-Dec-41	Annual on 28-Sep	AAA by CRISIL & ICRA	6.97%
9.10 PFC 2029	23-Mar-29	Annual on 25-Mar	AAA CRISIL &ICRA	6.89%
8.56 REC 2028	29-Nov-28	29-May & 29-Nov	AAA CRISIL, ICRA & CARE	6.88%
Corporate Bonds				
Security	**Maturity/C**	**IP**	**Rating**	**Yield**
8.05% Mahindra & Mahindra Financial Services Ltd 2032 (Sub-debt)	23-Jul-27	Annual on 01-April	AAA by IND Ratings & BWR	7.10%
8.20 India Grid Trust 2031	06-May-31	Annual on 6-May	AAA CRISIL & ICRA	7.50%
10.25 Shriram Transport Finance Corporation 2024	26-Apr-24	Monthly on 28th	AA+ CRISIL & IND	8.75%
9.48 L&T Finance Ltd 2026	04-Mar-26	Annual on 04-Mar	AAA/Stable by CARE & ICRA	7.15%
9.50 Shriram Transport Finance Corporation 2023	27-Feb-23	Annual on 26-Feb	AA+ CRISIL	7.45%
10.15% Hinduja Leyland Finance Ltd. 2025 Sub-Debt)	27-Mar-25	Annual on 27-Mar	AA- ICRA	9.50%
7.02 Bajaj Finance 2031	18-Apr-31	Annual on 19-Apr	AAA by IND & CRISIL	6.99%
9.50 Piramal Capital & Hsg Finance Ltd 2022	15-Apr-22	Monthly on 15th	AA CARE	6.60%

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

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

MA₹CELLUS

About Marcellus

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

Saurabh Mukherjea
CFA - Chief Investment Officer

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

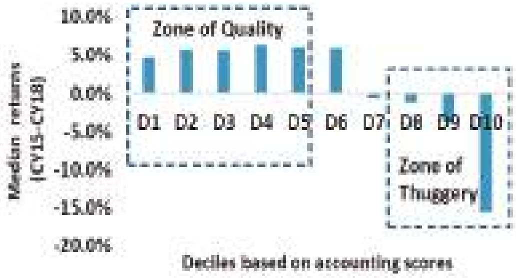
Key steps for identifying consistent compounders

Step 1: Identify companies with clean accounting

Ten forensic accounting checks used to identify naughty companies.

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

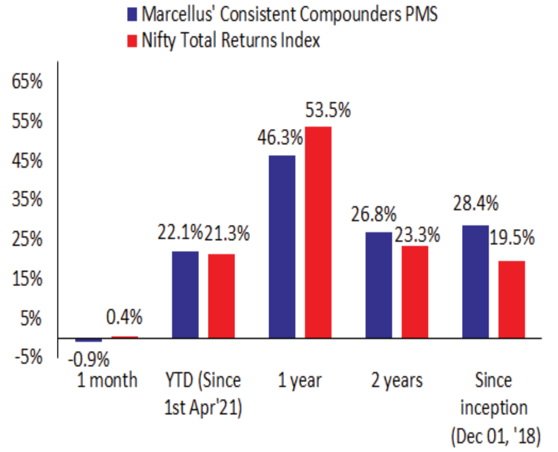
Leading market strategy consultant

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

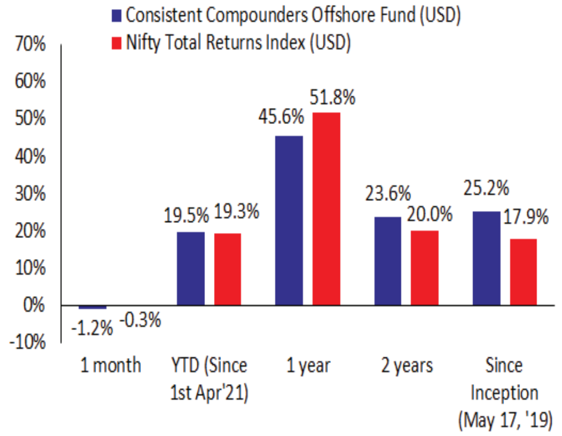
Fund performance (as on 31st Oct' 2021)

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



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

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



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

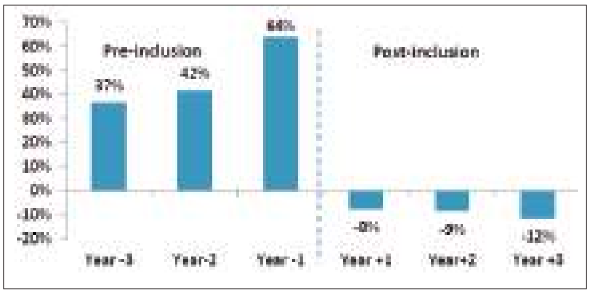
MA₹CELLUS

EQUANIMITY

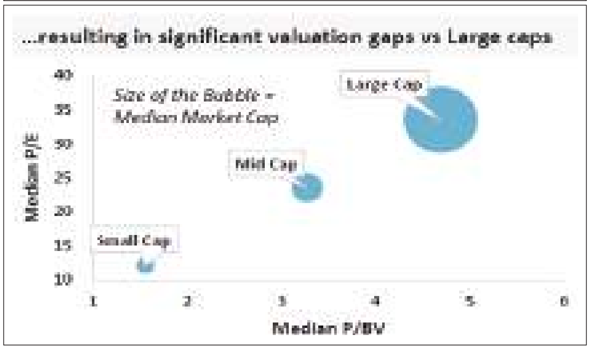
SMALL CAP INVESTING: OPPORTUNITIES

On an average over the last ten years, about 50 stocks have entered/exited BSE 500 every year indicating a high degree of churn

The biggest part of the relative outperformance for a stock entering BSE 500 occurs in the years preceding the inclusion



Source: Bloomberg, Ace Equity Relative returns (to BSE 500 are medians CAGR of stocks that have been included in the BSE 500 For prior returns, returns are measured until 1 quarter preceding the quarter of entry The above returns calculation is for the entries from June 2003 to June 2020.



Source: Ace Equity, Bloomberg Note 1 We classify companies with market cap of >Rs 150 bn as Large Cap, between Rs 30 bn to 150 bn as Mid Cap and below Rs 30 bn as Small Cap 2 Market cap, analyst coverage and share price data as of July 31 2020 3 Institutional ownership data as of June 30 2020 (EPS and Book value considered for FY 20.

RIGOROUS SCREENING AND DUE DILIGENCE TO IDENTIFY THE RIGHT STOCKS AND AVOID THE WRONG ONES

Starting universe of >1,000 companies

The universe: Stocks with Market Cap <US$500mn

Forensic Accounting Screen - Eliminate companies with sub par accounting

Typically avoid 'Zone of thuggery' candidates(refer next slide)

Above median on each parameter
- **Top 20% on overall score**
- **RoCE & net debt thresholds**

> Median score on individual parameters (revenue growth, asset turns etc) + Top 20% on aggregate score ('cream of the crop') + avoid companies struggling to cover their capital cost and debt laden companies

Botto-mup research and analysis

Detailed analysis of annual reports, management interviews and other published reports

3rd party/channel checks, management meetings

Corroborating 'management version' with channel feedbacks + independent views on governance/capital allocation

~15 - 20 Little Champs

Final portfolio of ~15 20 Cos.

Key Investment Objectives

- **Capital Preservation*** over a period of time
- **Capital Appreciation** over a period of time

Achieved through...

- Long term Investments in high quality companies with strong growth prospects

ASK IM endeavors to preserve the capital however equity investments are subject to market risks.

- **Rs 1 Crore invested at inception has grown to Rs 8.64 Crore Vs Rs 3.59 Cr in BSE 500**
- **The Investment Approach has been able to generate returns continuously even while markets were flat between Oct 11, Jun 12 and Aug 13.**

Note : Performance figures are net of all fees and expenses. ASK Portfolio returns are composite returns of all the Portfolios aligned to the investment approach as on Aug 31, 2021. Returns for individual client may differ depending on time of entry in the Portfolio. Past performance may or may not be sustained in future and should not be used as basis for comparison with other investments. Returns for 1 year or lesser time horizon are absolute returns, while more than 1 year are CAGR. Returns have been calculated using Time Weighted Rate of Return method (TWRR) as prescribed by the SEBI.

ASK Indian Entrepreneur Portfolio: The Investment Approach

1. Identify large and growing business opportunities.

2. Identify businesses with competitive advantage that are significant sized (min Rs.100cr of PBT) : Enables growth from both market share gains and growth of the opportunity size and can sustain for multiple years.

3. The quality of the business should be good to be able to fund strong growth through internal cash generation

- We seek over 20% compounded growth from each business that we buy and target over 25% growth from the portfolio

- To fund this growth, the business ROCE should be over 25% so that growth can be funded and there are surpluses for dividend

4. The management should have the drive and have skin in the game to deliver compounded growth period after period (uncompromised corporate governance is a must)

- Hence, invest into businesses with an identifiable business house at helm with minimum 25% stake*

5. We seek to identify such businesses at reasonable discount to value and stay invested for a length of time and make money as EPS compounds.

*Note: Promoter / Family stake of at least 25% is desired in portfolio companies, except in rare and fit cases.

Investment Approach Research Methodology and Filtration

500

- Top 500 as per market capitalization

306

- Only companies > 25% promoter / family holding (except in very rare and fit cases)
- Universe of Entrepreneur and/or Family-Owned Business = 306 cos

210

- Condition of minimum PBT of INR 100 cr (USD 16 mn)

123

- Subjective evaluation on management quality, their integrity, vision, past track record, execution,capital allocations and distribution skills, corporate governance standards etc.

59

- Quality of Business (Capital Efficiency) – Minimum ROCE of 25%*

20-25

- Two more filters for selection of stocks a) Minimum 20 to 25%* earnings growth over the next 3 to 5 years without capital dilution and b) Price-Value gap (margin of safety) of 20%
- ASK Indian Entrepreneur Portfolio

Note: Maximum of 20% of the portfolio may be an exception to the above.
*at the time of 1st purchase of the stock

ANANDRATHI
PRIVATE CLIENT GROUP
EQUITY

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

With

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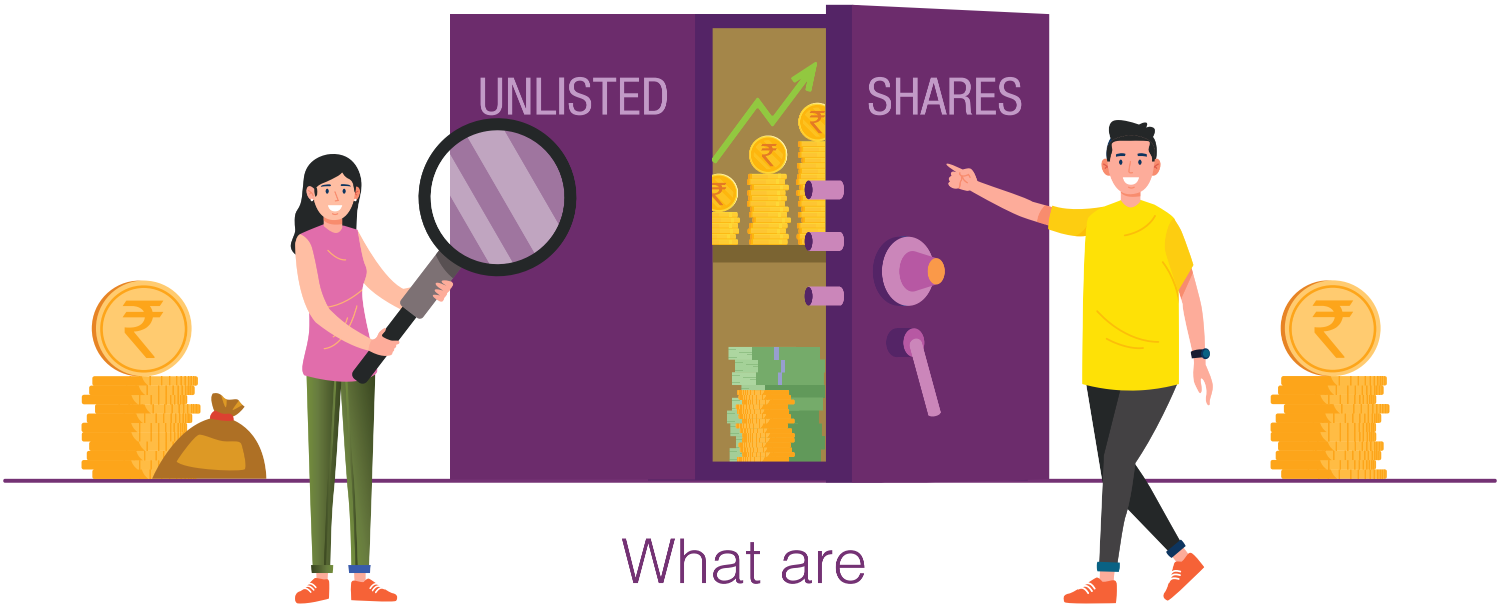
*Investment in Unlisted Shares**



What are **Unlisted Shares*?**

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

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

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

FINANCIAL

FLASH

November 2021

ANANDRATHI

INVESTMENT SERVICES

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