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# INDEX



# PCG Communique

## From the Desk of the PCG Head

**Rajesh Kumar Jain**

With the end of September, Indian markets embarked on a journey that saw the Nifty 50 close with a gain of 2%, while the Sensex secured a 1.5% rise. Nifty crossed 20,000, but couldn't able to hold the fort and started falling leading to highly volatile market. Indian market has reacted to the Global sell off, where most of the market has fall anywhere between 3%-5%. The fall articulated due to the recent surge in US Treasury yield which has topped to their highest point in 16 years @ 4.53% which is casting a looming shadow over the stock market, along with this the hawkish comment by Fed, that the interest rates are here to stay for long and the joker in the pack was oil which rose to $94 and few analysts are talking about oil might touch $100 which is creating shiver to the developing markets. Any upward journey of crude oil prices poses additional challenges, impacting not only inflation but also the fiscal and current account deficits.

A rise in crude oil prices beyond $90 per barrel, along with a rise in food prices, is likely to be a double-whammy for Asian economies. India's latest headline inflation stood at 6.83% in August, above the Reserve Bank of India's tolerance band of 4% (+/- 2%). India dependency on imports to meet 80% of its crude requirements. Since it's a net importer of crude oil, the consumer price inflation index may see a rise of 25 basis points for every 10% rise in prices of the commodity.

Furthermore, foreign institutional investors (FIIs) have been net sellers, offloading shares worth INR 25,006.46 crore during the month through September, while domestic institutional investors (DIIs) adopted a contrasting stance, purchasing shares worth a net INR 17,561.16 crore.

DII'S & FII's has been pouring money into the India market since the start of the FY. In this FY FII's has been net buyer of INR 1,23,449 CR while CR DII's has been net buyer of 47,514 CR. Retail money is hitting the market through the SIP route which has touch an all-time high of 15,814CR in Aug 2023.

Later in the month JPMorgan said it will include Indian government bonds in its widely tracked emerging market debt index. This inclusion is likely to prompt billions of dollars of inflows into the world fifth largest economy. India's local bonds will be included in the Government Bond Index-Emerging Markets (GBI-EM) index and the index suite, benchmarked by about $236 billion in global funds according to JPMorgan. The index will add the securities starting June 28, 2024. India will have a maximum weight of 10% on the index. India's inclusion in bond index is a step in the right direction. With exclusion of Russia and troubles in China, the options for global debt investors have narrowed down. There will be 23 Indian Government Bonds (IGBs) with a combined notional value of $330 billion are eligible.

After a stellar 7.8% expansion last quarter, economic growth was expected to moderate to 6.4% in July-September quarter and then drop to 6.0% in the October-December period before slowing to 5.5% in early 2024. India's gross domestic product (GDP) is expected to grow 6.2% in the fiscal year ending in March 2024, being the fastest-growing major economy this fiscal year. Asia's third-largest economy is projected to grow 6.2% in FY25. India's economic growth will be supported by government spending ahead of May's general election.

Rural India Set for Rise, considering the government's keenness on enhancing rural infrastructure and social structures and the volume recovery in sight, there is a strong possibility of growth in the region acting as a positive surprise. The Govt support towards the increase in Kharif Minimum Support Price, and the expectations of a strong Rabi crop are expected to work in tandem to empower rural India significantly. In this evolving scenario, management commentary from companies is further boosting the sentiment, with the former stating that rural market volume, which had previously plunged, has turned positive in the last quarter of the financial year 2023. The dampening in inflation is also expected to boost rural growth in the coming period, in turn driving domestic economic growth higher.

Coming to markets, we still believe the fundamental story of India is still intact and these are temporary blips to the markets which can only create some shakes but it can't dent the long term India growth story. The government's spending on infrastructure as well as the capex cycle has just begun, and it is expected to drive the economy going forward. The economy is on a very sound footing under the leadership of the present govt. We should continue to do well going forward. We need to be very selective in choosing our bets in sector and stock within the sector and can't buy anything and everything.  At the same time, investors should remain cautious with the small caps where the valuation is bit stretched. In six months, the small-cap index is up 40%, while the Nifty Mid-Cap 100 Index has risen by 29% Vs Nifty is up by 13%. In terms of valuation Nifty is trading @ PE of 21, while the mid-caps index is trading @ P/E of 22 and small caps index is trading @ P/E of 24.4. On a 1- year forward basis the Mid-Cap index now trades at 24.1 times compare to 18.7 times for the Nifty. There is clearly room for a correction in the mid-cap area, most particularly as a continuing rise in the oil price has the potential to create some renewed inflationary noise in India.

Although valuations of the frontline indices might appear to be reaching to little higher than its long-term average, it's imperative to acknowledge the existence of undervalued opportunities within the market. The Nifty 50, currently trading at a trailing twelve-month Price-to-Earnings (PE) ratio of 21x, is lower than its five-year average of 24.7x. As per estimates, for FY24 we will ending @ NIFTY EPS of 950-970 and for FY25 we are projecting a NIFTY EPS of 1169. Considering 5% divergence in FY25 earning with a 22 P/E multiple we believe market should cross 22000 level by next year. Given the positive earnings trajectory, valuations remain at an attractive level, reflecting the underlying potential for investments.

Accordingly, this is the right time to look for bottom-up opportunities in selective sectors while considering mean reverting stocks as likely sources of generating alpha. Given the market outlook, we are strongly bullish on sectors such as manufacturing, auto, BFSI, QSR, Power Finance Companies, & Power companies. IT can be looked as a contraction approach of investing. IT as a sector has gone through an 18 months of time & price correction, where there has been estimation of a hard landing in US economy and an expectation of recession seems to persist in the US economy. With the big deal wins by the IT sector, we believe this sector can come out of the slump for the last 1.5 years. We are bullish on some of the Mid Cap IT companies. Contract Development and Manufacturing companies, with the China + 1 scenario offering a considerable boost to API players. While China currently exports approximately USD 30 bn worth of APIs, as against about USD 4 bn from India, even a 10 per cent shift in demand can double India's API industry size, thus boosting the overall market and underlying stocks.

**Wish you Happy Investing…**

# Market Commentary

The Nifty index ended the September month on a positive note as it closed at '19,638' as compared to August end '19,347', an increase of 1.5%. Similarly, Sensex ended the September month at 65,508 as compared to 64,831 in the previous month, with a positive return of 1.0%.

Key gauges started the week on quiet note as traders remain concerned after the Reserve Bank statement that India's foreign exchange reserves declined $867 million to $593.037 billion in the week ended September 15. Traders took note of report that S&P Global Ratings retained India's growth forecast for current fiscal at 6 per cent citing slowing world economy, rising risk of subnormal monsoons and delayed effect of rate hike. It sees the recent spike in vegetable price inflation as being temporary, but revised up the full fiscal retail inflation forecast to 5.5 per cent, from 5 per cent earlier, on higher global oil prices. Domestic indices traded in a tight band as traders continued to selloff risky assets as rising oil prices fueled fears of further inflationary pressures. However, downside remained capped as Chief Economic Advisor V Anantha Nageswaran said the inclusion of Indian government bonds in JP Morgan's emerging market debt index is expected to broaden India's investor base, potentially appreciate the rupee, and make it easier for Indian financial institutions to lend money. Markets somehow managed to move northward during the week as traders took support with S&P Global Market Intelligence stating that Indian banks will continue attracting global investment from investors looking for better returns as credit growth, improved margins and stable asset quality boost the country's lenders. Some support also came with the Global Trade Research Initiative's (GTRI) statement that steps like streamlining port and customs operations, and setting up of national trade network will help Indian firms integrate with global value chains and add $1.2 trillion in the country's foreign trade by 2030. But, huge selling on penultimate day of the week dragged the markets lower amid reports stating that India's current account deficit (CAD) surged to $9.2 billion in the first quarter of 2023-24, more than seven times what it was in the preceding quarter. According to data released by the Reserve Bank of India (RBI), CAD in April-June amounted to 1.1 percent of GDP. Traders overlooked Fitch Ratings' statement that the inclusion of certain Indian sovereign bonds in key emerging-market bond indices managed by JP Morgan will support a diversification of the investor base for Indian government securities. Traders also paid no heed towards External Affairs Minister S Jaishankar's statement that in the next 25 years, the country's Amrit Kaal as espoused by Prime Minister Narendra Modi, India will strive to be a developed country and it is logical that it also seeks to be a global power. However, buying on final day of the week helped markets to recoup most of their weekly losses as traders opted to buy beaten down but fundamentally strong stocks. Meanwhile, India Ratings and Research (Ind-Ra) in its 'September 2023 edition of its Credit Market Tracker' report said that the tightness in the liquidity market is likely to ease meaningfully in the coming quarter, as the government spending has increased, followed by a further release of money from the incremental cash reserve ratio funds.

The S&P Global India Manufacturing PMI slipped to 57.5 in September 2023 from 58.6. It was the 27th straight month of increase in manufacturing activity but the softest pace since April, as output expanded the least in five months amid a slowdown in new orders. Also, growth in foreign sales eased from August's 9-month peak but remained sharp. Meantime, employment picked up and was strong by historical standards while backlogs fell fractionally. Buying levels increased at a robust rate that was aligned with those seen for new orders and production. Delivery times lengthened a bit following a six-month period of improving vendor performance. On prices, input cost inflation eased to its lowest mark in over three years, mainly due to lower costs for aluminum and oil. Meantime, prices charged rose at a solid and faster rate that outpaced its long-run average. Finally, confidence hit its highest in 2023 so far, supported by buoyant customer appetite, advertising, and expanded capacities.

The S&P Global India Services PMI dropped to 60.1 in August 2023 from an over 13-year high of 62.3 in the previous month, aligning closely with market forecasts of 61. Both new orders and output remained at elevated levels. Output growth was one of the strongest observed in 13 years, while new exports continued to rise for the twenty-fifth consecutive month, driven by a series-record surge in new export business. Employment slightly increased, with the rate of job creation reaching its highest point since November. As for prices, output price inflation accelerated to the joint-strongest in over six years, as strong demand conditions facilitated the passing on of cost increases to clients. Input price inflation, although moderating since July, remained higher than output charges, primarily due to rising food, input, and labor costs. Finally, optimism reached its peak so far this year, as firms were confident that their production would continue its positive growth in the next year.

Retail price inflation in India eased to 6.83% in August 2023 from 7.44% in July which was the highest since April 2022, and below market forecasts of 7%. Food inflation fell to 9.94% from 11.51% which was the highest since January 2020. Cost of vegetables (26.14% vs 37.3%), cereals (11.85% vs 13%), pulses (13.04% vs 13.3%) and milk (7.73% vs 8.3%) increased at a slower pace while prices rose faster for spices (23.19% vs 21.6%). Meanwhile, smaller increases were seen in cost for housing (4.38% vs 4.5%), miscellaneous (4.91% vs 5.1%) and clothing and footwear (5.15% vs 5.6%) while prices of fuel and light went up more (4.31% vs 3.7%). Despite the slowdown in August, inflation stayed above the central bank target of 2-6% for a second month. Monsoons have been below normal due to El Nino, impacting agricultural production and prompting a spike in food prices, especially vegetables. The government then subsidized vegetable prices and ban exports of some cereals including sugar and rice.

The country's merchandise exports fell in August 2023. India’s merchandise exports in August fell to $34.48 billion as compared to $37.02 billion in the year-ago period. India’s overall exports (Merchandise and Services combined) in August 2023* is estimated to be USD 60.87 Billion, exhibiting a negative growth of (-) 4.17 per cent over August 2022. Overall imports in August 2023* is estimated to be USD 72.50 Billion, exhibiting a negative growth of (-) 5.97 per cent over August 2022. The country's merchandise imports for the period April-August 2023 were USD 271.83 billion as compared to USD 309.19 billion during April-August 2022.

The gross GST revenue collected in the month of September, 2023 is ₹1,62,712 crore out of which CGST is ₹29,818 crore, SGST is ₹37,657 crore, IGST is ₹83,623 crore (including ₹41,145 crore collected on import of goods) and cess is ₹11,613 crore (including ₹881 crore collected on import of goods). During the month, the revenues from domestic transactions (including import of services) are 14% higher than the revenues from these sources during the same month last year.

India’s foreign exchange reserves have again showed negative signs as it decreased by US$2.33 billion to $590.70 billion in the week through Sep 30. Foreign currency assets decreased by $2.55 billion to $523.36 billion for the week ending Sep 30.

The U.S. markets ended lower during the passing week amid ongoing concerns about the outlook for interest rates and worries about the economic outlook. Sentiments were weak after a report released by the National Association of Realtors (NAR) showed a much steeper than expected drop in U.S. pending home sales in the month of August. NAR said its pending home sales plunged by 7.1 percent to 71.8 in August after rising by 0.5 percent to a downwardly revised 77.3 in July. Street had expected pending home sales to decrease by 0.8 percent compared to the 0.9 percent advance originally reported for the previous month. A pending home sale is one in which a contract was signed but not yet closed. Normally, it takes four to six weeks to close a contracted sale. The sharp pullback in pending home sales reflected weakness throughout much of the country, with pending home sales in the South leading the way lower with a 9.1 percent plunge.

European markets ended passing week on a muted note amid persistent fears of higher U.S. interest rates and concerns over China's beleaguered property market. The start of the week was lower, as the euro area private sector remained in the contraction territory in September, adding to fears of a recession in the second half of the year. The flash results of the purchasing managers' survey by S&P Global showed that the HCOB flash composite output index rose to 47.1 in September from 46.7 a month ago, while it was expected to fall to 46.5. Besides, the UK private sector activity contracted at the fastest pace in more than two-and-a-half years in September amid steep declines in both manufacturing and services activity. The purchasing managers' survey results from S&P Global and the Chartered Institute of Procurement & Supply showed that the flash composite output index dropped to 46.8 from 48.6 in the previous month. Any score below 50 indicates contraction in the sector.

Asian markets ended the passing week mostly in red terrain following the broadly negative cues from Wall Street, as worries about inflation, higher interest rates and economic slowdown weighed on the market after the US Fed forecast another rate hike before the end of the year and indicated they may leave rates higher for longer than previously anticipated through 2024.

Japanese Nikkei fell by over one and half percent, as Industrial output in Japan came in flat in August, beating expectations for a decline of 0.8 percent following the 1.8 percent drop in July. On a yearly basis, industrial production fell 3.8 percent after slipping 2.3 percent in the previous month. Traders overlooked the Ministry of Economy, Trade and Industry (METI) stating that the value of retail sales in Japan jumped 7.0 percent on year in August, coming in at 13.391 trillion yen. That exceeded expectations for a gain of 6.0 percent following the upwardly revised 7.0 percent gain in July (originally 6.8 percent). Besides, the Ministry of Internal Affairs and Communications (MIAC) said the unemployment rate in Japan came in at a seasonally adjusted 2.7 percent in August. That was unchanged from the July reading, although it missed expectations for 2.6 percent.

Chinese stocks too ended lower by over half percent as investors awaited industrial profit, manufacturing and services PMI data for direction. Sentiments remained weak even as profits at Chinese industrial firms posted a surprise surge of 17.2 percent in August from a year earlier, pointing to signs of economic recovery in the world's second-largest economy.

The S&P Global US Manufacturing PMI was revised higher to 49.8 in September 2023, surpassing the preliminary estimate of 48.9 and exceeding August's final reading of 47.9. The latest figure pointed to a fifth consecutive month of contraction in the sector's health, albeit only fractional. Output increased at a marginal pace that was nonetheless the fastest since May. In contrast, job creation remained moderate, and new orders continued to decline for the fifth consecutive month, reflecting the impact of high interest rates and inflation on consumer demand. On the price front, both input costs and output charges accelerated, though inflation rates remained historically low, well below levels seen over the past three years. Moreover, business confidence reached its highest level since April 2022, driven by optimism about an impending improvement in demand conditions.

The HCOB Eurozone Manufacturing PMI was confirmed at 43.4 in September 2023, remaining little changed from the previous month's 43.5. This figure signaled the fifteenth successive month of contraction in the bloc's industry sector, as new order inflows dropped at one of the steepest paces seen in the survey's 26-year history, and output levels shrank at a faster rate. Additionally, the rate of depletion in backlogs of work was the joint-fastest since May 2020, and employment declined the most in almost three years. On the price front, input costs continued to decline, and prices charged fell for a fifth consecutive month, to one of the greatest extents since 2009, as Eurozone manufacturers remained focused on boosting competitiveness. Finally, business confidence slumped to a ten-month low.

The au Jibun Bank Japan Manufacturing PMI was revised slightly downward to 48.5 in September 2023 from a flash reading of 48.6 and after a final 49.6 in August. It was the fourth straight month of fall in factory activity and the steepest pace since February, as output fell the most in 3 months. Also, new orders dropped at the sharpest rate in 7 months; while export orders remained weak amid lower sales to China. Further, buying levels shrank for the 14th consecutive month and at the steepest pace since February. Backlogs of work fell for the 12th month in a row, with the rate of depletion the strongest since April, while manufacturers raised employment levels fractionally. Vendor performance deteriorated slightly. On prices, input price inflation hit its highest since May due to higher raw material, energy, freight, and oil prices, and a weaker yen. Output charges rose at a further solid pace. Finally, sentiment strengthened, linked to expected improvements in demand and capacity.

**Going Ahead**

Most major central banks are now signaling the end of monetary policy tightening during the current cycle. The Federal Reserve of the United States and the Bank of England both maintained the status quo in monetary policy rates at their September 2023 policy meetings. While the European Central Bank lifted the policy rate by 25 basis points, the commentary indicates that this is the final rate hike in this cycle. Despite rapid monetary tightening, most economies have kept fiscal policy accommodating. As a result, even if GDP contracted for a quarter or two, as predicted by the International Monetary Fund, practically all large economies would sustain economic growth in both 2023 and 2024. In this regard, the fear of a recession in advanced economies is exaggerated.

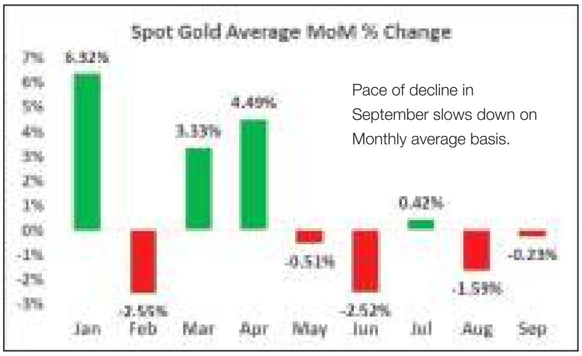
The macroeconomic performance of India over the last month has been good. Industrial production growth has accelerated in the latest month and retail inflation has fallen after an unexpected jump in the previous month. The infrastructure industry remains strong, owing to the strength of domestic demand and the government’s resolved to increase public investment. The Indian economy's near-term prognosis remains positive, with the country maintaining the highest reading in the world in terms of purchasing manager indicator surveys. Given the decline in retail inflation and the downward trend in core inflation, we expect the Reserve Bank of India to maintain the status quo at its October Monetary Policy Committee meeting.

After a lengthy period of anticipation, the inclusion of Indian government bonds in the J.P. Morgan Emerging Market Bond Index (EMBI) is a significant development with far-reaching positive implications for the Indian economy. This event has the potential to generate USD 25-30 billion in passive capital inflows. There is a good chance that other competing bond fund indexes would soon include Indian bonds in their benchmark indices. These improvements would not only enhance India's balance of payments (BOP) but will also lower yields on 10-year treasuries, which will be beneficial to the Indian market as interest rates are expected to fall significantly over the next several years.

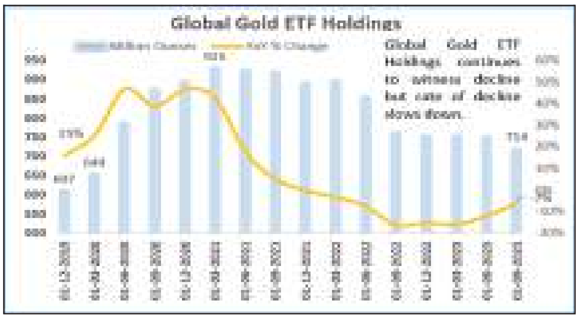
# Commodities Outlook

**Precious Metals:** Gold plunges to lowest levels since March on higher for longer interest rate scenario as US Yields soar's to multi year highs amid stronger dollar index.

Gold plunged towards the end of the September month witnessing a second consecutive monthly decline after prices witnessed a relatively robust first half of 2023 with returns in same period outperforming all major traded commodities.




Start of the third quarter witnessed corrective moves in Gold as US economy showed signs of resilience which was earlier forecasted to go into recession by the end of 2023. Overall Gold ended the last quarter with marginal losses amid higher for longer interest rate scenario, lack of ETF Gold demand, rising yields and strengthening dollar all weighing on the sentiments.




On the demand front, Global Gold ETFs saw net outflows for the fourth consecutive month in September. North American & Europe funds bore the bulk of outflows while Asian funds led inflows. Collective holdings shed 4% y-t-d, total. Over the last week of September, Gold ETFs backed by the metal witnessed the biggest weekly outflow since June, backed by Blackrock Inc.'s IShare's Gold Trust, which shed 13 tons of gold. However Global gold ETF holdings still remain above pre pandemic levels as European fund outflows have witnessed less decline with Asian fund are an exception this year.

**Fundamental Outlook:** (CMP $ 1822 per ounce) Gold to remain volatile amid higher yields, upcoming festive season demand. Seasonal trends indicate prices may find bottom in the month of October as expectations remain of slowdown in global growth beyond last quarter of the year.

On the fundamental front, Major Exchange traded fund may continue to witness outflows but the expectations of persisting Central bank demand especially from China & other developing countries may keep sentiments supportive at lower levels. Overall Spot Gold (CMP $1822 per ounce) would require a combination of a weaker dollar and lower bond yields to regain its foothold above $1,900 per ounce in near term which looks unlikely as this would necessitate notably weak inflation figures and a scaling back of hawkish Fed expectations. However seasonality trends along with expectations of moderating Jobs growth in US could likely keep a recovery in prices from lower support levels intact in the latter half of the month.

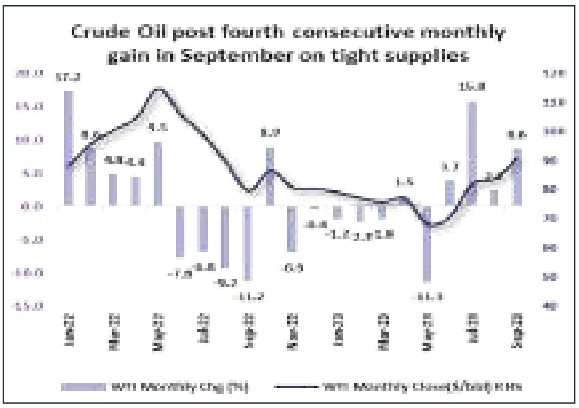
On the other hand, considering physical demand from major consuming nations including India, Gold might witness weaker retail demand as compared to last year ahead of auspicious Diwali festival in November. Major reasons attributed for same to include higher local prices around Rs. 56,000 per 10 gm as compared to below Rs. 50,000 per 10 gm levels persisting in October 2022. This might lead local retail consumers to limit quantities to be purchased during the auspicious festive season in India with similar budgets being set this year. However peak wedding season to start from current month may revive retail demand towards the end of the year.

Meanwhile the Chinese Yuan has lost nearly 6% of its value against the US Dollar this year, while Shanghai-listed stocks are off about 8% from their 2023 high, set back in May. With ongoing property crisis being compounded by Evergrande Group, China's second-largest property developer remaining the world's most indebted, had halted its trading last week, Gold had emerged as a preferred investment alternative acting as a hedge against financial volatility. Soaring gold prices in China with more than $ 100 premium along with 40 % hike in withdrawals from Shanghai Gold Exchange and a 15 % increase in August Imports had supported the trend last month.

Meanwhile on global front, empowered by a stunning rise in US yields last month, solid economic fundamentals, and safe haven flows, the dollar Index had witnessed record 11 consecutive weeks of gains against the euro. In a nutshell, the United States appears much more resilient than any other region. Incoming macro data releases could continue to reaffirm the strength of the US economy, while in contrast, Europe may suffer from a sharp slowdown in economic growth and China to deal with the implosion of its property sector as Gold may continue to remain volatile in current month. On the domestic front, concerns of depreciating rupee with the same remaining above 83 levels might keep MCX futures prices downside limited as compared to International Spot prices. However with prices hovering around Rs. 56,700 levels per 10 gm in December Futures contract, strong supports might persist around 55,200 – 55,200 per 10 gm levels. Overall International Spot prices to remain volatile as may test $ 1780 per ounce levels in near term where likely range in International Spot markets to remain @ $ 1780 – 1925 per ounce in spot markets while on MCX likely range to shift towards Rs. 55,200 – 58,500 per 10 gm.

**Crude Oil Update: Prices to take a breather in October, after an outsized rally in Q3 2023**

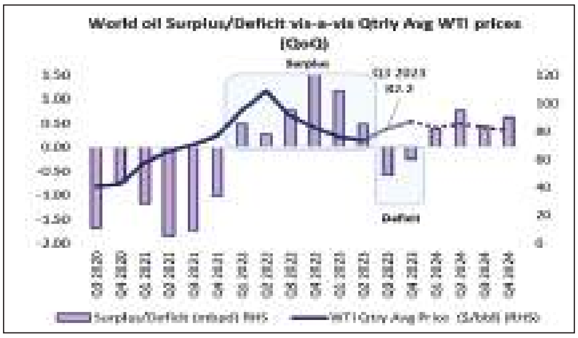
The benhmark WTI Crude oil hit $95 per bbl level in mid-September as markets focused on large supply deficit extending for Q4 amid prolonged cuts by the OPEC giants, Saudi and Russia. Adding on to the gains were the falling US inventories, resilient China oil demand and Russian move to halt fuel product exports in the already tight markets, that pushed WTI oil to




November 2022 highs. Widely watch time spreads and hefty premiums for some physical crude cargoes highlighted growing scarcity in the market. However, the breathless rally of recent weeks has ran out of steam as with higher oil prices came the inflation threat and thus the change in the undertone of the US Fed. Moreover, escalating China's property market woes too exerted pressure on the prices. WTI oil gained 8.6% in September to $90.79/bbl while MCX Crude oil ended 9.8% higher to close at Rs 7,543/bbl.

**Outlook for October – Focus shifted from tight supplies to bleaker macro-economic outlook**

After an outsize rally in the last quarter driven by OPEC+ supply cuts, oil markets now seems to take a brief pause as a precaution against a shaky macroeconomic outlook. Supply deficit no doubts remain in place as long as the Saudi's output cuts continue, but still, headwinds from China's demand uncertainty in Q4 and the tighter monetary policies to remain higher for longer could dampen demand outlook.

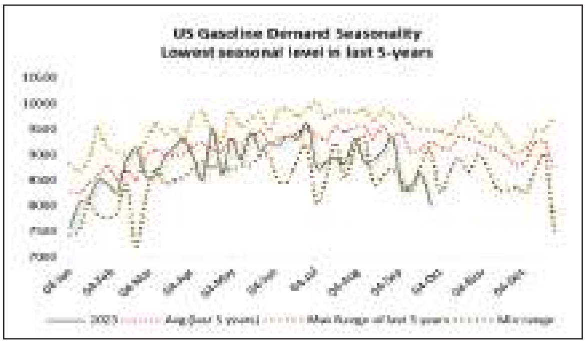



Even with Saudi output cuts continuing through end 2023, the gulf between production and consumption could ease in the coming months as supply from Iran, Iraq, Nigeria, Libya and Venezuela is expected to nullify around half of this. Meanwhile, production in the US is likely to jump to pre-pandemic level above 13 mbpd further adding to the supplies.

On the demand front, China's consumption growth and import has been resilient so far despite the nation's macro headwinds. However, in Q4, China might consider cutting back purchases of expensive crude as the nation's current oil inventories could satisfy about 130 days of its demand, outstripping the global standard of around 90 days.

No doubt the physical markets are extremely tight and the US storage hub at Cushing has dipped to minimum operational level. But, the key indicators including the prompt spreads which are widening in bullish backwardation might narrow down to some extent as the US refinery maintenance season is getting underway, and may prevent the storage hub from draining to absolute lows. The fall refinery maintenance season in the US is shaping up to be the heaviest since before the Covid-19.

Another crucial point is that the gasoline's premium over crude in the US has plunged and is a potential sign that higher crude prices are starting to impact margins. Gasoline demand in the US has tumbled to its lowest seasonal level in 25 years, after recent sky-high prices sparked a pullback in consumption. The adjacent chart shows lowest seasonal demand in last 5 years for US Gasoline.




To conclude, as long as OPEC+ supply cuts stays in place, oil markets will remain in deficit. However, focus now has shifted to demand destruction and thus the correction phase amidst all the above mentioned factors, might extend till the $82/$80 per bbl level (CMP: $85) also. Key forces to watch for in the coming months are -demand destruction due to high oil prices, additional supply from Iran, the resumption of oil flows through the Iraq-Turkey pipeline, OPEC output and the impact of Russia's restrictions on gasoline and diesel exports. In a Nutshell, the combination of supply tightness and the impact of broader macroeconomic factors would keep oil prices consolidating between $80-94 per bbl level for the benchmark NYMEX WTI and Rs 6,700-Rs 7800 for the MCX Crude oil.

# Currency Outlook

## Indian Rupee Update

**USDINR Stays Away From Record Low on Likely RBI Intervention**

Rupee standing mildly strong amongst emerging & Asian market currencies major credit goes to strong wall RBI which is not allowing USDINR to depreciate against Dollar index. The Indian rupee has been staying away from touching its record low levels as the central bank likely sold dollars to protect the currency. Maybe RBI is of the opinion that if they hold on to the fort for some time, the global markets will turn. The central bank intervenes in the spot and forwards markets to prevent runaway moves in the rupee. RBI's likely intervention has been quite heavy over the past few days because for the simple reason the range has been so narrow intraday. Otherwise if there were flows, or selling from exporters, then we should've seen a much bigger intraday range especially on the downside. That didn't happen, which means the market is not selling, and the market is still not able to go up, which means the RBI is the one which is supplying.

**FPIs go on selling spree in September: what lies ahead?**

Foreign Portfolio Investors (FPIs) have turned sellers in Indian equities in September so far, after months of investing heavily. Indian equities had a tumultuous ride last week after the US Federal Reserve indicated that it could keep interest rates elevated for longer than expected before. The Fed projections pushed the US Treasury yields to a 16-year peak and lifted the dollar index. In response, FPIs have turned sellers in Indian equities in September so far, after months of investing heavily. The ongoing India-Canada tiff, rising crude oil prices, and erratic rainfall have also dampened investors' and sentiments concerns about elevated valuations, recessionary fears, and overvalued domestic stocks and attractive US bond yields dominate market sentiment. Market analysts believe that uncertain global cues and the sharp surge in US bond yields will keep sentiments on the edge in the near term. The FPI pullout is primarily due to rising US interest rates. Since valuations remain high even after the recent pullback and US bond yields are attractive (the US 10-year bond yield is breach high 4.50%), FIIs are likely to continue selling as long as this trend persists.

**Fundamental Outlook for Rupee (CMP 83.23 as on 5th Oct 2023)**

USDINR spot has been caught in the perfect storm of rising oil prices and higher US dollar. There are other headwinds as well. Dollar Index has strengthened by ~2% this year. Dollar continues to trade firm and US yields have stabilize at the recent highs after an eventful central bank driven action. Most major central banks are now signaling the end of monetary policy tightening during the current cycle. The Federal Reserve of the US and the BoE both maintained the status quo in monetary policy rates at their September 2023 policy meetings. While the ECB lifted the policy rate by 25 basis points, the commentary indicates that this is the final rate hike in this cycle. Despite rapid monetary tightening, most economies have kept fiscal policy accommodating. As a result, even if GDP contracted for a quarter or two, as predicted by the International Monetary Fund, practically all large economies would sustain economic growth in both 2023 and 2024. In this regard, the fear of a recession in advanced economies is exaggerated.

Apart from this, USDINR has also been impacted by a moderation in FPI inflows. After reaching a peak of US$ 6.9bn in Jun'23, FPI inflows have been moderating. In Sep'23, FPI's were net sellers in the domestic market, with outflows of US$ 356mn. Bulk of the outflows were concentrated in the equity segment, even as Sensex rose to an all-time high in the same period. Uncertainty about US rate policy as well as higher US yields can be attributed as primary reasons of keeping foreign investors wary of EM assets. The trend is likely to persist in the near-term, until clarity emerges on the future course of Fed policy. Domestic macros are also being challenged due to the double whammy of erratic monsoon and higher oil prices. This may also explain the reluctance of foreign investors to enter the Indian market.

Overall, we expect Rupee to remain under pressure in the near-term but will continue to be most stable currency amongst EM market currencies. RBI has been managing the currency well with the forex reserves it accumulated in the last few months. At US$ 593.3bn, India's foreign exchange reserves are comfortable and can cover ~10 months' worth of imports which is well above the adequacy norms. This should give RBI room to defend the rupee in case of any sharp depreciation. We expect Rupee to trade in the range of 82.70-83.50 against Dollar over medium term perspective. Risks remain from indications of 'higher-for-longer' Fed rates and a further escalation in oil prices.

## Dollar Index Update

**Dollar Index Update: Sailing Right through Hawkish Fed**

The dollar ended its best quarter in a year on a sour note on the Fed's hawkish outlook for interest rates and economic growth. US long-bond yields saw their biggest quarterly jump since 2009. The pound was the worst performer among G-10 peers this quarter, weakening nearly 4% against the dollar amid a surprise rate hold from the BoE. Japanese Yen may remain weak as the Bank of Japan announced an unscheduled bond-purchase operation after yields on long and super-long debt surged to decade highs.

**US dollar's rally supercharged by soaring real yields on Treasuries**

Surging US real yields are aiding the dollar's rebound, rewarding bullish investors while making bears think twice before betting against the DXY. The real yield on US 10-year Treasuries - which measure how much investors stand to make on US government bonds after inflation is stripped out - hit 2.47%, the highest in nearly 15 years. The Federal Reserve's resolve to keep rates higher for longer along with relatively strong US economic growth has helped push nominal yields to their highest level since 2007. That, combined with a deceleration in inflation, has sent real yields soaring. The Dollar index is up 3% against a basket of currencies this year.

**Fundamental Outlook for Dollar index (CMP 106.90 as on 5th Oct 2023)**

Dollar Index remained resilient throughout the September month. Looking more closely, however, central bankers should be more concerned that financial markets are finally getting familiar with the 'high for longer' scenario. Higher for longer Fed messaging drives borrowing costs up sharply. This means the US jobs market has remained hot with the Federal Reserve wary that unless the economy cools sufficiently, inflation may not slow sustainably to the 2% target, despite recent favourable data.

We are at the cusp of a potential risk event for markets and the rising long-term yields in the US could soon force the market's hand. Rising yields could kill the economy, and more importantly, can trigger another banking crisis in the US as large unrealized losses on their treasury holdings will lead to capital erosion. Dollar Index could move between 105 – 108 levels in the current month.

# Technical Analysis

**NIFTY: OCT 2023**

**LEVELS TO WATCHOUT FOR: 19800 - 20100 / 19500 – 19000**

Although the final session of the historic series of Sept 2023 ended on a disappointing note but the final trading session of the month brought some hopes for the bulls. During the month, index NIFTY made a life high of 20222 in the first half of the month whereas on the other hand closed the month near 19600 mark with gains of around 2%.

Technically, on the daily chart of NIFTY spot we are witnessing a trend line breakdown and the continuation of the same or impact of the same could be seen below 19500 mark. Thus, for the coming week, 19500 on closing basis might remain an important support for the bulls. On the other hand, we are also witnessing a bullish Harami pattern on the daily scale and hence a move above the recent high of 19766 would negate the recent bearish evidence. Thus, a move above 19766 in the coming sessions might reinforce the bulls to bring the index back towards 20000 mark. For the time being, traders are advised to remain stock specific and follow strict stop loss since the broader market still looks a bit vulnerable.

For the NIFTY BANK index, we have some important observations to share. The index has never closed in red during the month of October since last 10 years. Hence, there is a high possibility that NIFTY BANK index might outperform the benchmark indices during the month. On the levels front, 44000 – 43600 seems to be a very strong base for the short term and on the upside a move above 45000 might bring the momentum back in the index. Traders are advised to watch out for this space in the coming weeks.

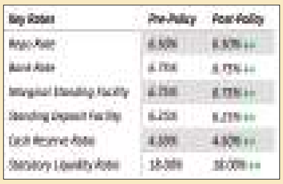
**Technical Pick – BUY IRCTC LTD**
**POTENTIAL UPSIDE 12.04%- 16.06%**

- Since many months, we have been witnessing rally in railway related stocks, but IRCTC failed to join the party.
- At this juncture, the stock confirmed a breakout and again retested the demand zone.
- Post this breakout, we are witnessing that the stock has come out of the resistance formed by the Ichimoku system on the weekly scale and this indicates momentum on the upside.
- Thus, traders are advised to buy IRCTC in the range of 690 - 680 with a stop loss of 630 on closing basis for an upside target of 767.5 and 795 in coming 1 – 3 months.

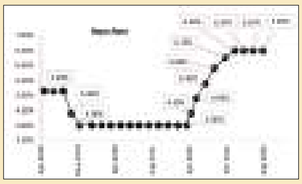
# Fixed Income Services

### Monetary Policy Update

On 10th August 2023, the Monetary Policy Committee (MPC) held its meeting to assess the macroeconomic situation and its outlook. The committee unanimously decided to maintain the Repo Rate at 6.50%, remaining focused on withdrawal of accommodation to ensure progressive alignment of inflation with the target, while concurrently supporting growth.



| Key Rates | Pre-Policy | Post-Policy |
|---|---|---|
| Repo Rate | 6.50% | 6.50% |
| Bank Rate | 6.75% | 6.75% |
| Marginal Standing Facility | 6.75% | 6.75% |
| Standing Deposit Facility | 6.25% | 6.25% |
| Cash Reserve Ratio | 4.50% | 4.50% |
| Statutory Liquidity Ratio | 18.00% | 18.00% |

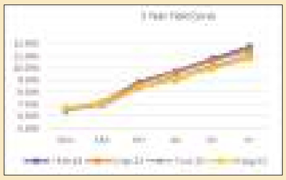



*Source: RBI Press Release, Fixed Income Databases*

The RBI's decision to keep the policy repo rate unchanged at 6.50% was widely anticipated by the market given the recent inflation numbers. The inflation forecast for FY24 was revised upwards to 5.40% from the previous 5.10%, emphasizing the need for heightened vigilance in monitoring the trajectory and the commitment to aligning with the 4% target. The governor expressed concerns over inflation due to recent spikes in vegetable prices, while also highlighting potential pressures from global weather conditions, global food prices & crude oil. Despite these challenges, the GDP forecast for FY24 remained steady at 6.5%, reflecting the country's ability to navigate these issues while maintaining a positive growth trajectory.

Additionally, RBI has imposed a 10% Incremental Cash Reserve Ratio (I-CRR) on banks' net demand and time liabilities growth between May 19, 2023, and July 28, 2023, to temporarily manage excess liquidity in the banking system, while the existing Cash Reserve Ratio (CRR) remains at 4.5%. This imposition of I-CRR will be reviewed in the next month to return back funds in the banking system

**The 3 Year & 5 Year Yield Curve below shows how yields have moved since the last review in June 2023:**


- The 3 year Gsec, AAA & AA+ curve saw a hardening of ~25bps, ~21bps & ~17bps respectively, while the rest of the credit curve saw an easing in the range of ~9bps to ~20bps.
- The 5 year Gsec, AAA & AA+ curve saw a hardening of ~23 bps, ~20bps & ~1bps respectively, while the rest of the credit curve saw an easing in the range of ~24bps to ~35bps.
- The AAA spread over G-sec, in the 3 year & 5 year space saw compression of ~3 to 4bps, from ~52bps to ~48bps in the 3 year space and from ~49bps to ~46bps in the 5 year space.

**Outlook:** The policy underscored India's capacity to emerge as a global growth engine, citing its advantageous geopolitical realignments and technological advancements, supported by its robust economy, domestic demand, untapped resources, and demographic strengths. While RBI remains comfortable on the growth front, an extended pause is expected in line with the Governor's commitment to aligning CPI inflation to the 4% target and the readiness to take action if needed.

### Secondary Market Bond Offers

**Tax Free Quotes**

| Security | Maturity/Call | IP | Rating | Yield |
|---|---|---|---|---|
| 7.64% HUDCO Tax Free 2031 | 08-Feb-31 | Annual on 08-Feb | IND AAA/Stable | 5.11% |

**PSB Perpetual Quotes**

| Security | Maturity/Call | IP | Rating | Yield |
|---|---|---|---|---|
| 7.75% SBI Perp 2027 | 09-Sept-27 | Annual on 09-Sept | AA+ by CRISIL & ICRA | 7.87% |
| 8.69% Union Perp 2027 | 25-Jul-27 | Annual on 25-July | AA by CARE & IND | 8.42% |

**PSU Quotes**

| Security | Maturity/Call | IP | Rating | Yield |
|---|---|---|---|---|
| 7.10% NABARD 2030 | 08-Feb-30 | 10-Feb & 10-Aug | AAA by ICRA & IND | 7.42% |
| 7.60% PFC 2027 | 20-Feb-27 | 20-Aug & 20-Feb | AAA CRISIL, CARE & ICRA | 7.47% |

**Corporate Bonds**

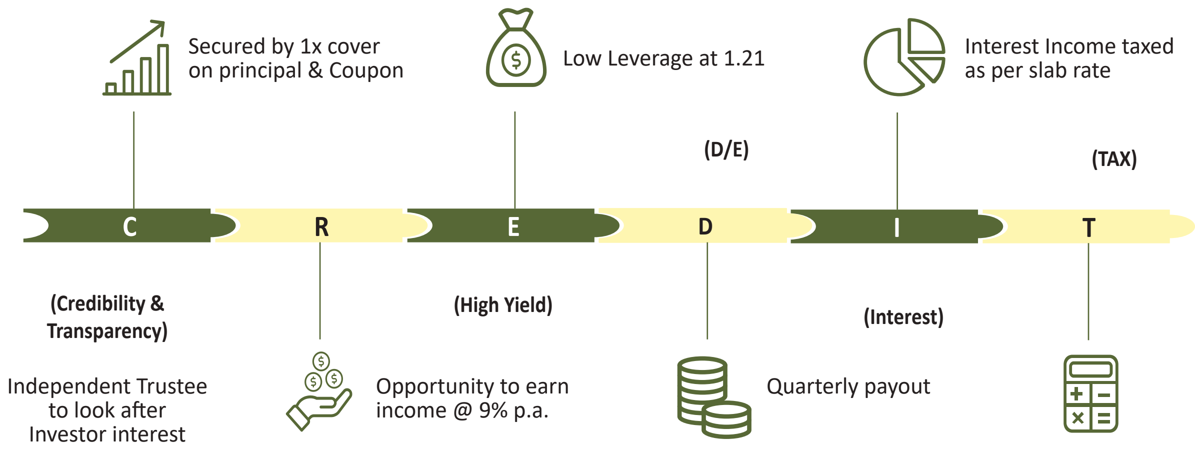
| Security | Maturity/Call | IP | Rating | Yield |
|---|---|---|---|---|
| 6.75% Piramal Capital & Housing Finance Ltd. 2031 | Staggered Maturity (28-Sept-31) | 28-Mar & 28-Sept | AA by ICRA & CARE | 10.35% |
| 8.05% M&M Fin Serv Ltd 2032 | Call: 23-Jul-27 Maturity:24-Jul-32 | Annual on 01-Apr | AAA by IND & BWR | 7.98% |
| 7.10% HDFC Ltd 2031 | 12-Nov-31 | Annual on 12-Nov | AAA CRISIL & ICRA | 7.74% |
| 10.25% Shriram Transport Finance Corporation 2024 | 26-Apr-24 | Monthly on 28th | AA+ CRISIL & IND | 8.10% |
| 7.70% LIC Housing Fin Ltd 2031 | 19-Mar-31 | Annual on 19-Mar | AAA by CARE & CRISIL | 7.64% |
| 9.25% Tata Capital Fin Ser Ltd 2028 | 22-Jul-25 | Annual on 22-Jul | AAA by CRISIL & CARE | 7.79% |
| 9.30% HDC Credila Fin Ser 2025 | 09-Oct-25 | Annual on 9-Oct | AA+ by CRISIL & CARE | 8.33% |
| 7.59% MTNL 2033 | 20-Jul-33 | 20-Jan & 20-Jul | AAA(CE) by CARE & IND Rating | 7.67% |
| 9.95% UP Power 2029 | Staggered Maturity (30-Mar-29) | 31 Mar, 30 Jun, 30 Sept, 31 Dec | A+ (CE) BY CRISIL & INDIA RATINGS | 8.95% |

*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.

# ANCHOR (Market Linked Debentures)

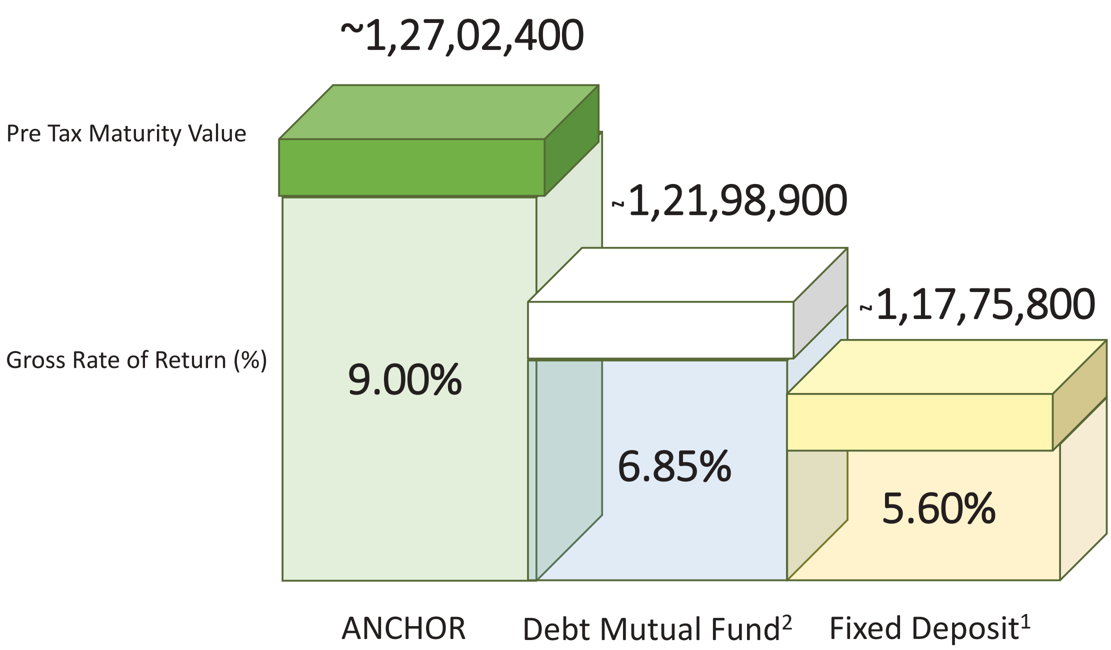
## What is ANCHOR?




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

## What is the Opportunity?

For an investment of 1 Crore for 36 months




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

# Key Terms of the Issue

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

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

# Cash-flow Illustration

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

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

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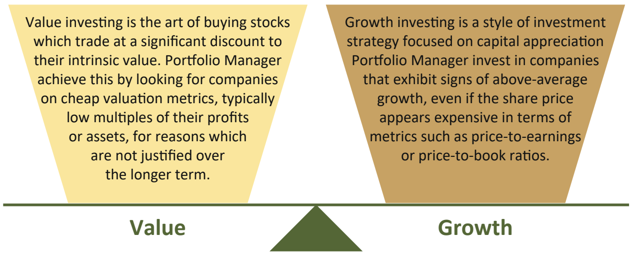
*Returns/IRR showcased are for illustrative purposes only. The returns are pre-tax.

Anand Rathi PMS

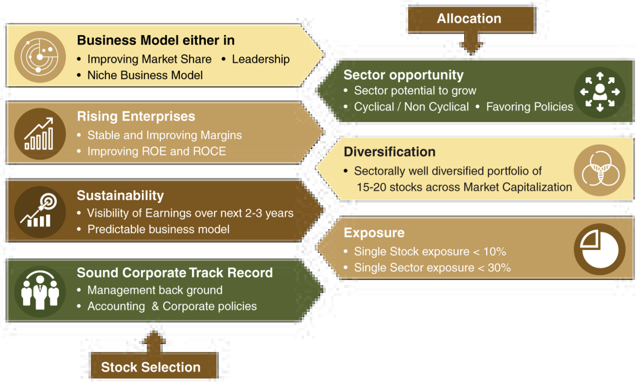
# PMS Portfolio

## Objective & Investment Philosophy

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




## Investment Process




## Re-VIEW Strategy


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

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

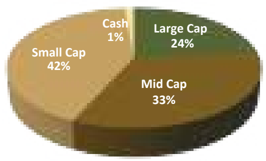
**Earnings Visibility Changes**
Our fundamental research team scrutinizes the quarterly results of the companies to understand the current & future estimated growth. If we are not satisfied with 2 or 3 quarterly results of the company & don't see growth, we take an exit to move to another stock.

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

## Top Holdings & Market Cap Allocation

| Sr No | Top 10 Holdings | % Holdings |
|---|---|---|
| 1 | Ratnamani Metals & Tubes Ltd. | 8.6% |
| 2 | Bharat Electronics Ltd. | 7.6% |
| 3 | KEI international Ltd. | 6.5% |
| 4 | KEC International Ltd. | 5.7% |
| 5 | Varun Beverages Ltd. | 5.7% |
| 6 | ITD Cementation India Ltd. | 5.3% |
| 7 | Bajaj Finance Ltd. | 5.3% |
| 8 | Radico Khaitan Ltd. | 5.1% |
| 9 | Indian Bank | 5.0% |
| 10 | Carborundum Universal Ltd. | 5.0% |

Market Cap Allocation

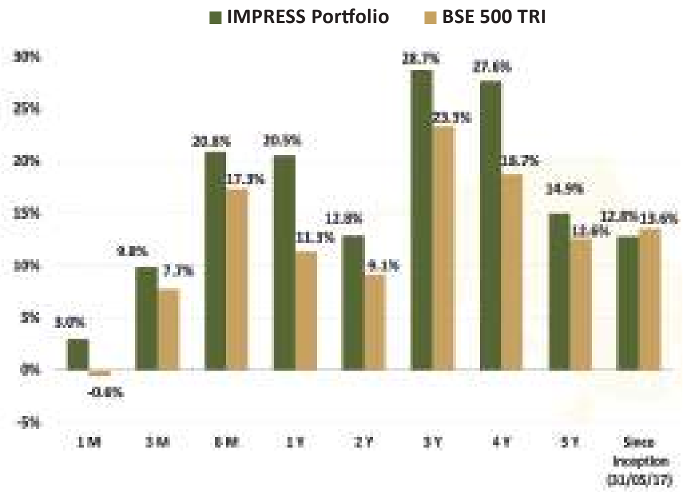



| Avg Mkt Cap (cr) | |
|---|---|
| Large Cap | 187478 |
| Midcap | 27520 |
| Small Cap | 8618 |
| Overall Portfolio | 54570 |

Data as on 31st Sep, 2023

## Portfolio Performance

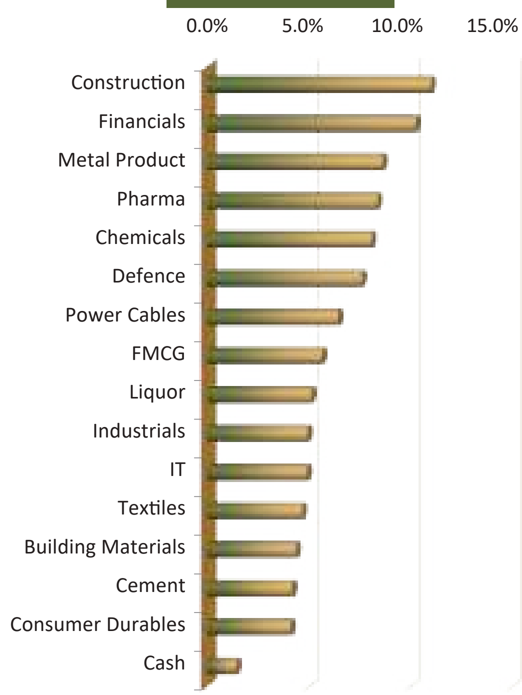
Performance as on 31st August, 2023




**Note**: - Returns above one year are annualized. Returns 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.

## Sector Allocation

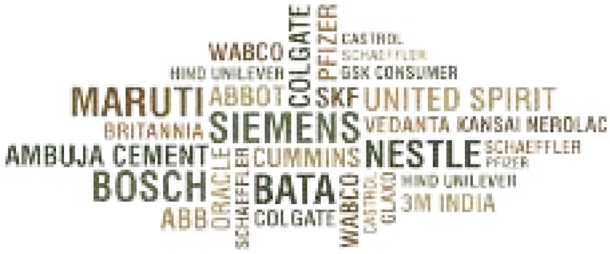


Anand Rathi PMS

# MNC Portfolio

## Objective & Investment Philosophy

**Objective** Focus on consistency of return and risk moderation by investing in Multinational Companies listed in India.



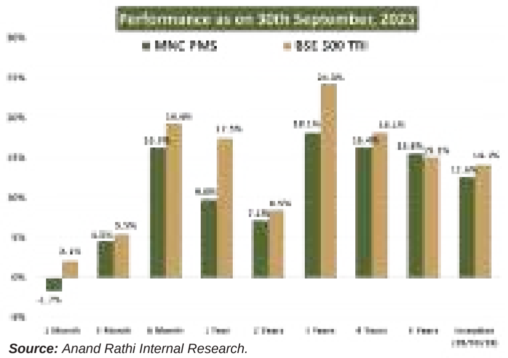

Investments into listed companies in India in which the foreign shareholding is over 50% and/or the management control is bestowed in foreign company and/or the technological and managerial know-how brought in by foreign partner/investor.

## Successful Business Model


- MNC's benefit from the economy of scales by spreading R&D expenditures and advertising costs over their global sales, pooling global purchasing power over suppliers, and utilizing their technological and managerial know-how globally with minimal additional costs.
- MNC's can use their global presence to take advantage of underpriced labor services available in certain developing countries, and gain access to special R&D capabilities residing in advanced foreign countries

## Strong Corporate Governance

- MNC's are generally rated high for their corporate governance standard.
- MNC's depict high transparency and accountability with well laid out policies and regulatory framework, internal control and risk management.
- This provide good comfort for an investor who would not fall prey to any negative impact on investment due to corporate mis-management and fraud.




**Source:** *Anand Rathi Internal Research.*

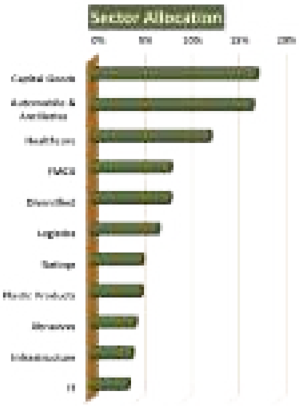
## Healthy Balance Sheet


### Top Holdings and Allocation

| Sr No | Top 10 Holdings | % Holdings |
|---|---|---|
| 1 | Maruti Suzuki India Limited | 8.3% |
| 2 | Siemens Ltd | 7.8% |
| 3 | Schaeffler India Limited | 7.1% |
| 4 | 3M India Ltd | 5.9% |
| 5 | CRISIL Ltd | 5.4% |
| 6 | ITD Cementation India Limited | 5.3% |
| 7 | Blue Dart Express Ltd | 5.1% |
| 8 | Abbott India Ltd | 4.8% |
| 9 | Nestle India Ltd | 4.7% |
| 10 | Hindustan Unilever Limited | 4.5% |

| | Avg Mkt Cap (cr) |
|---|---|
| Large Cap | 259829 |
| Midcap | 31578 |
| Small Cap | 8828 |
| Overall Portfolio | 71668 |

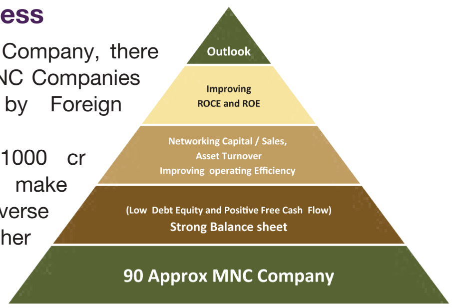
Data as on 30th September, 2023




The current model client portfolio comprise of 18 stocks. Portfolio is well diversified across market capitalization and sector. We have shown top 10 stocks based on current portfolio. Most of the stocks are given more or less equal and sizable weightage in portfolio

## Selection Process

Out of 4500 listed Company, there are only 90 odd MNC Companies which are own by Foreign Promoter with more then 1000 cr Market Cap which make the stock universe limited for further evaluation.




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

**Disclaimer:** Past Performance is not necessarily indicative of likely future performance. Index - **BSE 500 TRI** is shown as per guidelines Performance mentioned above are not verified by SEBI. We have shown the performance as Aggregate performance of all clients on TWRR basis.

Anand Rathi PMS

# Decennium Opportunity

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


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

## Emerging business of ongoing Industrial Revolution

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

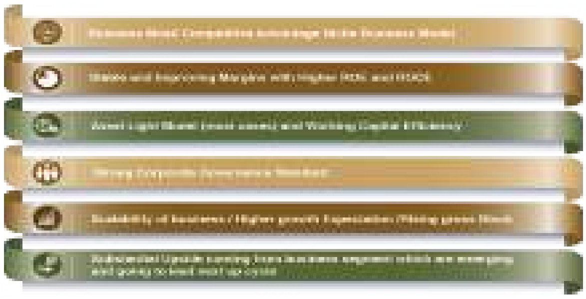
## Opportunity - Accelerated Growth from Business Upcycle


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

## Opportunities at every level of emerging business

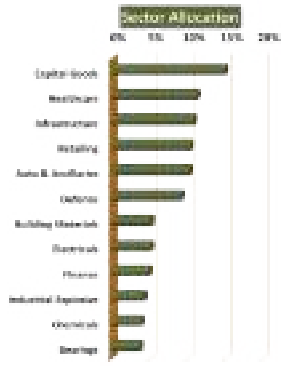
The key to success is to adapt to the changing business dynamics

## Stock Selection Process



## Portfolio Synopsis

| Sr No | Top 10 Holdings | % Holdings |
|---|---|---|
| 1 | Bharat Electronics Ltd | 9.2% |
| 2 | Craftsman Automation Limited | 7.7% |
| 3 | Praj Industries Ltd | 6.8% |
| 4 | Ethos Limited | 6.2% |
| 5 | Global Health Limited | 6.1% |
| 6 | H.G. Infra Engineering Limited | 5.5% |
| 7 | KEC International Limited | 5.4% |
| 8 | Cera Sanitaryware Ltd | 5.3% |
| 9 | Syrma SGS Technology Limited | 5.2% |
| 10 | Caplin Point Laboratories Limited | 5.2% |

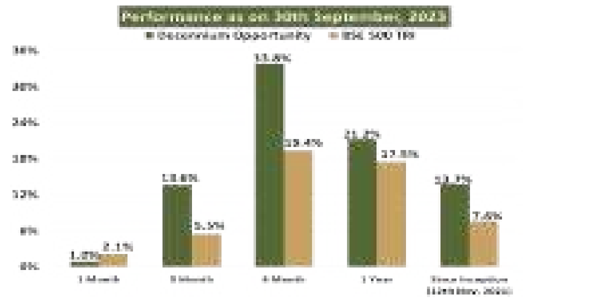




| | Avg Market Cap (cr) |
|---|---|
| Large Cap | 79432 |
| Midcap | 29908 |
| Small Cap | 9376 |
| Overall Portfolio | 24066 |

Data as on 30th Sep, 2023

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



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

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

Structure Product Idea

# Nifty Accelerator

| Product Name | Nifty Accelerator– 100% | |
|---|---|---|
| Issuer | Anand Rathi Global Finance Limited | |
| Underlying | Nifty 50 Index | |
| Principal Protected | Principal is not protected | |
| Tenor(days) | 1900 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 44th, 47th, 50th, 53rd & 56th Month. | |
| Nifty Performance (NP) | (Final Fixing Level/Initial Fixing Level)-1 | |
| Contingent Coupon (CC) | 100% (IRR – ~14.24%) | |
| Participation Rate1 (PR1) | 100%(From 108% to 133% of Initial Fixing Level) | |
| Participation Rate2 (PR2) | 2566.67%(From 130% to 133% of Initial Fixing Level) | |
| Decay Multiple (DM1)® Knock-In Put @ 84.99% | 1.35x (below -15% till -30% fall with catch-up) | |
| Decay Multiple (DM2)® Nifty @ 69.99% of initial | 0.35x (Between -30% till -90% 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 110% & below 133% of Initial Fixing Level | (NP-8%)* PR1+ Max(0%,(NP-30%)*PR2 |
| | If Final Fixing Level is at or above 85% & at or below 110% 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)) |
| | If Final Fixing Level is below 10% of Initial Fixing Level | NP |

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

| Nifty Values | Nifty Perf. | Product Return | Nifty IRR | Product IRR |
|---|---|---|---|---|
| **39000** | **100.0%** | **100.0%** | **14.2%** | **14.2%** |
| 29250 | 50.0% | 100.0% | 8.1% | 14.2% |
| **25935** | **33.0%** | **100.0%** | **5.6%** | **14.2%** |
| 25740 | 32.0% | 73.3% | 5.5% | 11.1% |
| 25545 | 31.0% | 46.7% | 5.3% | 7.6% |
| **25350** | **30.0%** | **20.0%** | **5.2%** | **3.6%** |
| 23400 | 20.0% | 10.0% | 3.6% | 1.8% |
| **21450** | **10.0%** | **0.0%** | **1.8%** | **0.0%** |
| **19500** | **0.0%** | **0.0%** | **0.0%** | **0.0%** |
| 19233 | -1.4% | 0.0% | -0.3% | 0.0% |
| 17550 | -10.0% | 0.0% | -2.0% | 0.0% |
| **16575** | **-15.0%** | **0.0%** | **-3.1%** | **0.0%** |
| 16573 | -15.01% | -20.26% | -3.08% | -4.26% |
| 15600 | -20.0% | -27.0% | -4.2% | -5.9% |
| **13650** | **-30.0%** | **-40.50%** | **-6.6%** | **-9.5%** |
| 10725 | -45.0% | -45.75% | -10.8% | -11.1% |
| **1950** | **-90.0%** | **-61.50%** | **-35.7%** | **-16.8%** |
| 1948 | -90.01% | -90.01% | -35.8% | -35.8% |
| 0 | -100.0% | -100.0% | -100.0% | -100.0% |

Product IRR* **14.24%**

Tenor **1900 Days**

Target Nifty Perf. **33%**

## Product Explanation

| | |
|---|---|
| NP >= 33% | 100% (Contingent Coupon) |
| 30% < NP < 33% | Max(0%,(NP-30%)*PR2 |
| 10% < NP < 33% | (NP-10%)* PR1 |
| -15% <= NP <= 10% | Principal Protection |
| -30% <= NP < -15% | 1.35x Decay with Catch-up |
| -90% <= NP < -30% | Decay decreases to 0.35x |
| Nifty falls beyond -90% | Nifty performance |

*Product IRR assume to be Pre-Tax IRR
NP: Nifty Performance
^ Initial Fixing Level is taken as 19254, adding 150 points contingent: 19404, rounded off to next 100: 19500.
**Historical Standard Deviation is calculated for 1710 days daily rolling NIFTY (Working Days Only) return from 1st Jan'2001 – 31st August 2023.
Investment Value per debenture: 1,25,000/-(Issued at a premium)

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

ICICI Venture


# Overview of ICICI Venture

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

**ICICI Venture at a Glance**

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

**Our Existing 4 Verticals**

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

**Sector Footprint**

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

IAF5 [1] Excluding VC AUM (1988-2002); [2] Includes co-invest capital; [3] Through Resurgent Power which is co-sponsored by ICICI Venture and Tata Power Company; Figure represents enterprise value of current portfolio; [4] Through AION which is in a strategic alliance between ICICI Venture and Apollo Global (US); As of April 2020, ICICI Venture and Apollo have jointly agreed to a revised format whereby AION will continue to be managed by Apollo and advised by ICICI Venture until the end of its term. Each of ICICI Venture and Apollo are free to pursue future investment opportunities independently

# Evolution of our PE Vertical

ICICI Venture

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

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

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

# IAF4 Portfolio Overview

ICICI Venture

Backing leaders and emerging leaders in fast growing sectors in India

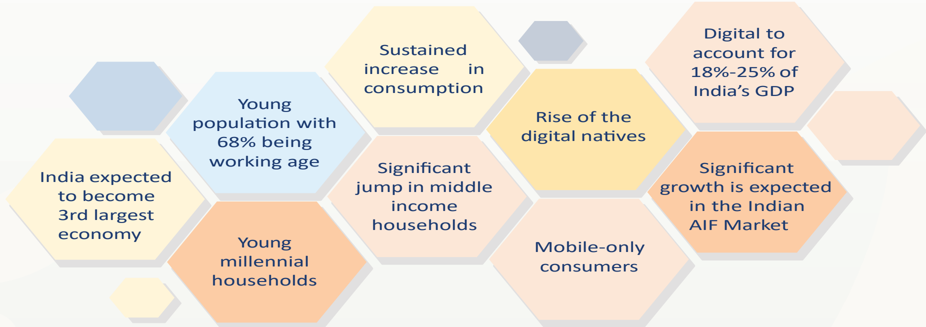
| IAF4 Portfolio | Entry Year | Investment[1] (INR Mn) | Sector | Strategy | Stake | Exit/ Liquidity | Exit Strategy |
|---|---|---|---|---|---|---|---|
| | 2016 | 1,000 | BFSI | Growth PE | 4.19% | Exited (3.03x, 55%) | Sale to strategic/PE |
| GO COLORS | 2018 | 1,000 | Consumer | Growth PE | 13.79%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

**IAF4 deal log**


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

## INDIA 2030 Summary

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




IAF5 The World Bank Population estimates & projections, CIA Factbook 2020 Estimates, Telecom Regulatory Authority of India (TRAI), Businessworld article, McKinsey Digital India 2019 report, CEBR, PwC - The World in 2050, Businessworld article, McKinsey Digital India 2019 report, AGR analysis

## IAF5 Themes

IAF5 would seek to invest around 3 investment themes


IAF5

## IAF5 Focus Sectors

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

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

IAF5 *Banking, Financial Services and Insurance

## IAF5 Strategy

Key pillars


1. India focused; View on India 2030
2. Sector agnostic; focused on BFSI, Consumer, Healthcare & Pharma, Manufacturing, Digital
3. 10-12 deals; Focus on diversification of portfolio, exit strategies
4. Growth PE (INR 1.50-3.00 Bn per deal), control, joint control (INR 3.00-5.00 Bn per deal)
5. Minority investing with the majority mindset; Drive operational excellence in portfolio companies
6. Target Gross INR MoIC of 2.5x-3x at a Gross INR IRR of 25%-30%
7. Best in class ESG practices
8. Tap synergies across ICICI Group
9. "No Go": RE, Infra, special sits commodity; Early stage

IAF5

## PE Process

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

**Deal sourcing**
- AIF Manager / Team
- Prior investees
- Group references
- Investor references
- Intermediaries
- Auctions

**Rigorous due diligence**
- Environmental & Social (E&S) DD
- Commercial DD
- Financial DD
- Legal DD
- Promoter DD

**Distinctive and disciplined pricing, structuring**
- Disciplined and multi-pronged approach to entry / exit valuation
- Leverage distinctive structuring experience to mitigate downside risk and align objectives

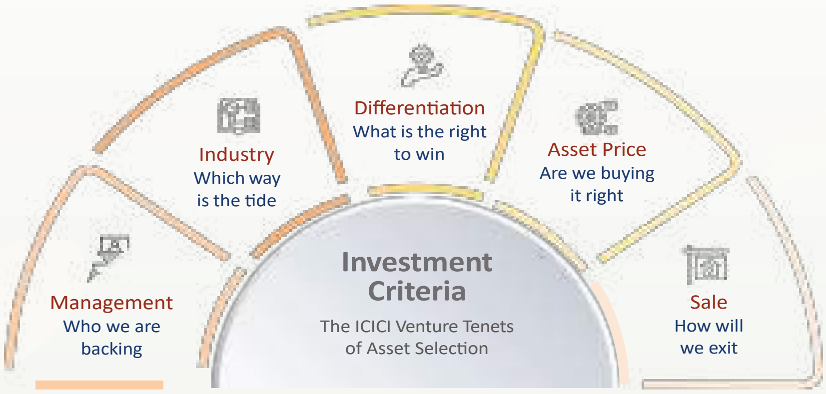
**Driving Operational Excellence in Portfolio Companies**
- HR
- Business ops, Supply chain, IT
- Cost optimization
- M&A
- Branding, Marketing
- Business Strategy
- Financial Management
- Strategic alliances
- ESG

**Target Returns within Targeted Holding Period**
- Multiplicity of exit options
- Ab initio alignment with promoters, teams
- Adaptability
- Speed
- Intermediaries
- Focus on execution excellence

IAF5

## Deal Selection

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




IAF5

## Key fund terms (India Advantage Fund S5 II)

Key fund terms*

| | |
|---|---|
| **India Advantage Fund S5 II** | Organized as a close-ended, contributory, determinate trust, registered with SEBI as a Category II AIF (Fund of Funds); ICICI Venture is Settlor, AIF Sponsor, Manager of the Feeder Fund. Invests solely in India Advantage Fund S5 I which is organized as a close-ended, contributory, determinate trust, registered with SEBI as a Category II AIF (Master Fund). ICICI Venture is Settlor, AIF Sponsor, Manager of the Master Fund. |
| **Minimum Capital Commitment** | INR 10 Million (or as per extant SEBI AIF Regulations) |
| **First Closing** | July 7, 2022 |
| **First Drawdown** | October 21, 2022 (notice issued on September 30, 2022) |
| **Investment Period** | 5 years from First Closing (excluding extensions, if any) for Master Fund. Feeder Fund to be co-terminus with Master Fund |
| **Fund Term** | 8 years from Final Closing (excluding extensions, if any) for Master Fund. Feeder Fund to be co-terminus with Master Fund |
| **Management Fee** | 2% p.a. (net of GST) at Master Fund level per investor. Plus INR 1 Mn p.a. (net of GST) at overall Feeder Fund level. Master Fund Management Fee to be charged on the basis of Capital Commitment made by Feeder Fund during Investment Period and net invested capital thereafter |
| **Feeder Fund Expenses** | Feeder Fund Set up Expenses and Operating Expenses shall be charged at actuals, subject to a cap of 0.25%^ per annum (net of GST) as percentage of aggregate capital commitments received by the Feeder Fund at it's Final Closing, on an annualized average basis over Feeder Fund's term, plus pro-rata share of Master Fund Expenses |
| **Master Fund Expenses** | Master Fund Set up Expenses and Operating Expenses shall be charged at actuals, subject to a cap of 0.75%^ per annum (net of GST) as percentage of aggregate capital commitments received by the Master Fund at it's Final Closing, as calculated on an annualized average basis over the Master Fund's Term or Extended Term as maybe applicable, excluding one-time acquisition and divestment expenses incurred by the Master Fund |
| **Hurdle Rate of Return** | Applicable at Master Fund level (12% IRR on INR basis, pre-tax with full catch up) |
| **Additional Amount** | SBI MCLR +4% per annum applicable for Subsequent Closings with effect from date of First Drawdown |
| **Additional Return** | Applicable at Master Fund level only (20% on whole fund basis) |

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

# iREIF 2

India Real Estate Investment Fund Series 2

Affordable Housing Focused Debt AIF

CONFIDENTIAL, RESTRICTED AND PRIVILEGED 2022

## Overview of ICICI Venture

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

### ICICI Venture at a Glance

**$5bn AUM/A**
since inception

**600+ Investments**
since 1988

**100+ Investments**
since 2002

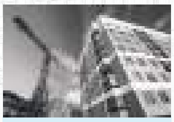
**81+ Exits**
since 2002

### ICICI Venture's Business Verticals

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

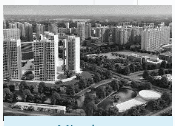
### Real Estate Foot Print

Affordable housing



Mid-high end housing

Office development



Mixed use

iREIF 2

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

## Evolution of our RE Vertical

**Private Debt has been our core strategy since the last decade**

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

iREIF 2

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

# ICICI Venture's Footprint of Financing for Housing

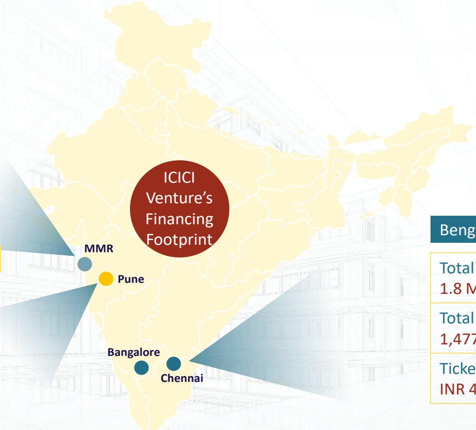
**Financed over 15,000 units / 14.2 million square feet of Affordable Housing & Mid-Income projects in India**

**Mumbai Metropolitan Region (MMR)**

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

**Pune**

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




**Bengaluru & Chennai**

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

iREIF

# Our RE debt exit track record

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

**ARIHANT SUPERSTRUCTURES LTD.**
*Type: Affordable Housing*
Investment : Oct 2018
Exit : April 2021
Gross IRR: 22.5%

**SKYi Developers**
*Type: Affordable Housing*
Investment : Oct 2019
Exit : Oct 2021 (Largely)
Gross IRR: 22%

*Type: Housing*
Investment : Oct 2013
Exit : Sept 2015
Gross IRR: 25.2%

*Type: Affordable Housing*
Investment : August 2013
Exit : Jan 2016
Gross IRR: 23.4%

**alpla** *values that build worth*
*Type: Affordable Housing*
Investment : Oct 2012
Exit : Jul 2014
Gross IRR: 22.7%

**AHUJA**
*Type: Housing*
Investment : Dec 2012
Exit : Jul 2015
Gross IRR: 22.2%

**PRINCE**
*Type: Affordable Housing*
Investment : Dec 2014
Exit : Oct 2016
Gross IRR: 21.2%

**SUNSHINE**
*Type: Commercial*
Investment : Dec 2014
Exit : Aug 2016
Gross IRR: 21.8%

**DS**
*Type: Affordable Housing*
Investment : Oct 2014
Exit : Nov 2016
Gross IRR: 20.8%

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

# iREIF Portfolio Overview

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

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

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

**iREIF deal log**


iREIF

# Leveraging ICICI Group RE strengths

## MOU with ICICI Bank


**ICICI Bank CRFG**[1]

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

**ICICI Bank Home Loans**

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

**ICICI HFC**

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

**01 Key features of MoU**

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

**02 Benefits of MoU**

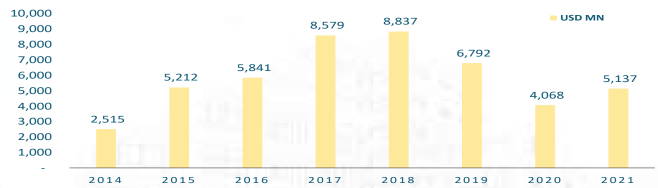
- Enabling broader financing options for potential iREIF2 developers
- Co-lending with ICICI Bank / ICICI HFC will ensure financial closure
- Enhanced ability to negotiate better terms with the developer

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

iREIF

# Private capital flows to Indian RE sector

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




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

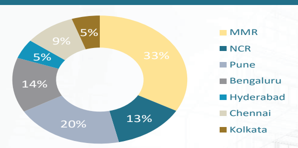
*Source – Knight Frank Research, Venture Intelligence*

iREIF

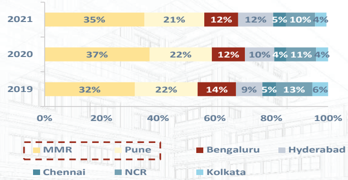
# iREIF2 target market snapshot

## MMR and Pune account for 53% of Sales

**% of Overall Sales from 2015-2021**




**City wise residential unit sales**

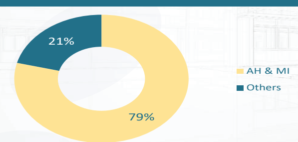



- ~56 % of residential units sold in 2021 are in MMR and Pune
- Hyderabad has highest increase in volume

**Affordable & Mid Income continues to drive overall volume**


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

**% of Sales in Mid-income & Affordable**




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

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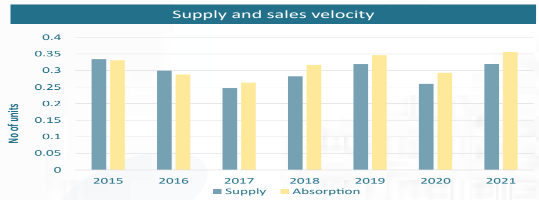
# Covid impact

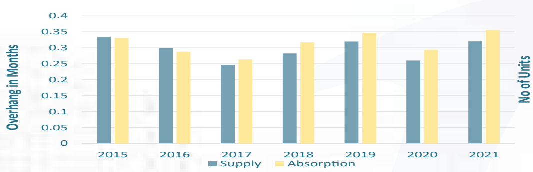
## Despite Covid, healthy supply and absorption of residential units

**Supply and sales velocity**




- Top 7 cities CY 2021 sales volume higher than CY 2019
- Reduced supply has resulted in lower level of inventory

**Housing inventory overhang**




- Inventory overhang has reduced
- Ready inventory of only ~ 50,000 units across top 7 cities

*Source: Propequity*

iREIF

# iREIF2 Strategy

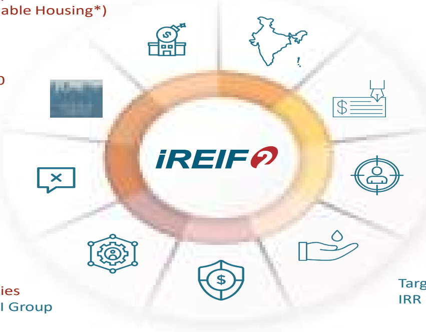
## Key pillars

Focused on Private Debt in Housing Projects (at least 51% in Affordable Housing*)

10-12 deals; Focus on Top 7 Indian cities

India focused; View on India 2030

Typically INR 400-600 Mn per deal through interest bearing NCDs




"No Go": Pure Equity risk, pure-play commercial, early stage land aggregation risk

Focus on Tier 1-2 developers in chosen micro-markets; MOUs executed with select iREIF funded & other leading developers

Tap synergies across ICICI Group

Target Gross INR IRR of 17%-22%

Typical Security cover of 1.5x on a post tax basis; Active portfolio monitoring

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

iREIF2

# iREIF2 Strategy

### Preferred Stage of Investments

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


### Investment Structures

**Debt Investments**

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

**Differential Coupon Investments**

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

**Coupon + upside Investments**

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

iREIF2

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

# iREIF2 Process

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

**Deal sourcing**

- AIF Manager / Team
- ICICI Bank
- ICICI HFC Prior investees
- Group references
- Investor references
- Intermediaries

**Rigorous due diligence**

- Financial DD
- Legal DD
- Technical DD
- Promoter DD (select)

**Distinctive and disciplined structuring and rights**

- Leverage distinctive structuring experience to mitigate downside risk and align objectives
- Negotiate appropriate rights including significant security package per transaction

**Project Management**

- Regular monitoring
- Marketing Strategy
- Financial Management
- Strategic alliances
- Financial Closure

**Target Returns within Targeted Holding Period**

- Focus on execution excellence
- Exit from project cashflows/ refinancing

iREIF2

# iREIF2 key terms*

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

iREIF2

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

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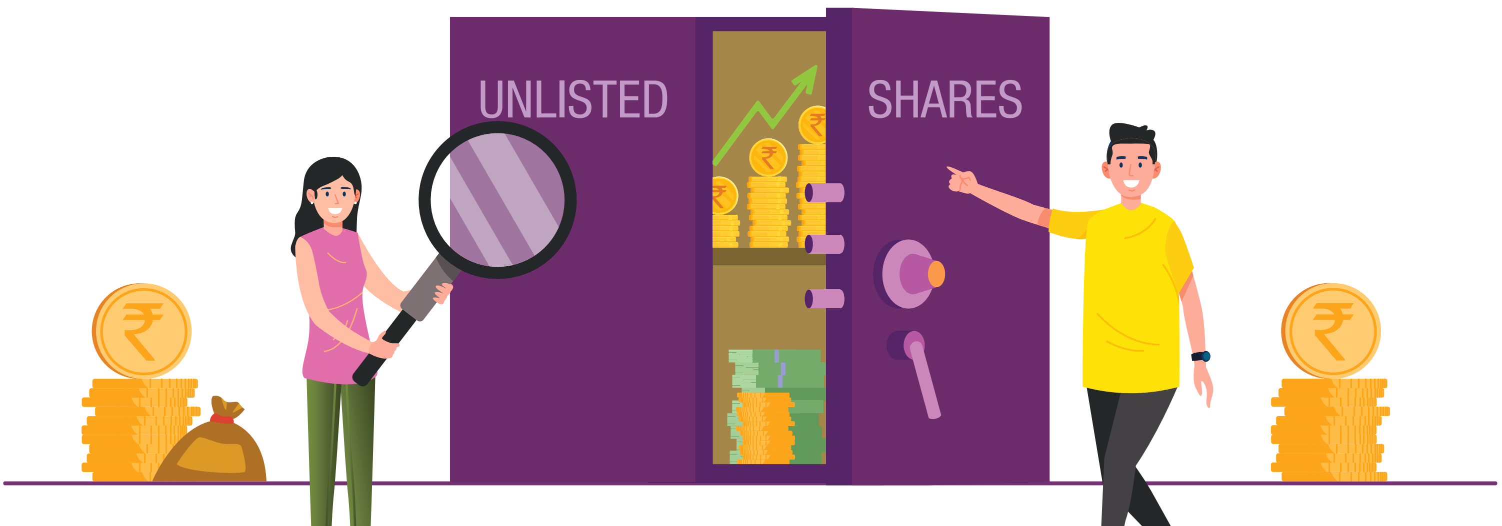
# Explore the
# **Hidden Treasure** of **Unlisted Shares***

With

**EQUITY UNICORN**

***Investment in Unlisted Shares****




## What are
## **Unlisted Shares*?**

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

| | | |
|---|---|---|
| Reliance | Reliance Retail | Retail |
| HDB | HDB Financial Services Ltd. | Financial Services |
| Super Kings | Chennai Super Kings | IPL Team |
| TATA TATA TECHNOLOGIES | TATA Technologies Ltd. | Engineering |
| PharmEasy | (API holdings Ltd.) | Healthcare Product |
| STUDDS | Studds Accessories Ltd. | Helmet Accessories |
| care HEALTH INSURANCE | Care Health Insurance | Insurance |
| Sterlite Power | Sterlite Power Transmission Ltd. | Power & Transmission |
| PHILIPS | Phillips India Ltd. | Electronics |
| | Mohan Meakin Ltd. | Beverages |
| Kurl-on | Kurlon Ltd. | Mattresses |
| HeroFinCorp. | Hero Fincorp Limited | Financial Services |

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

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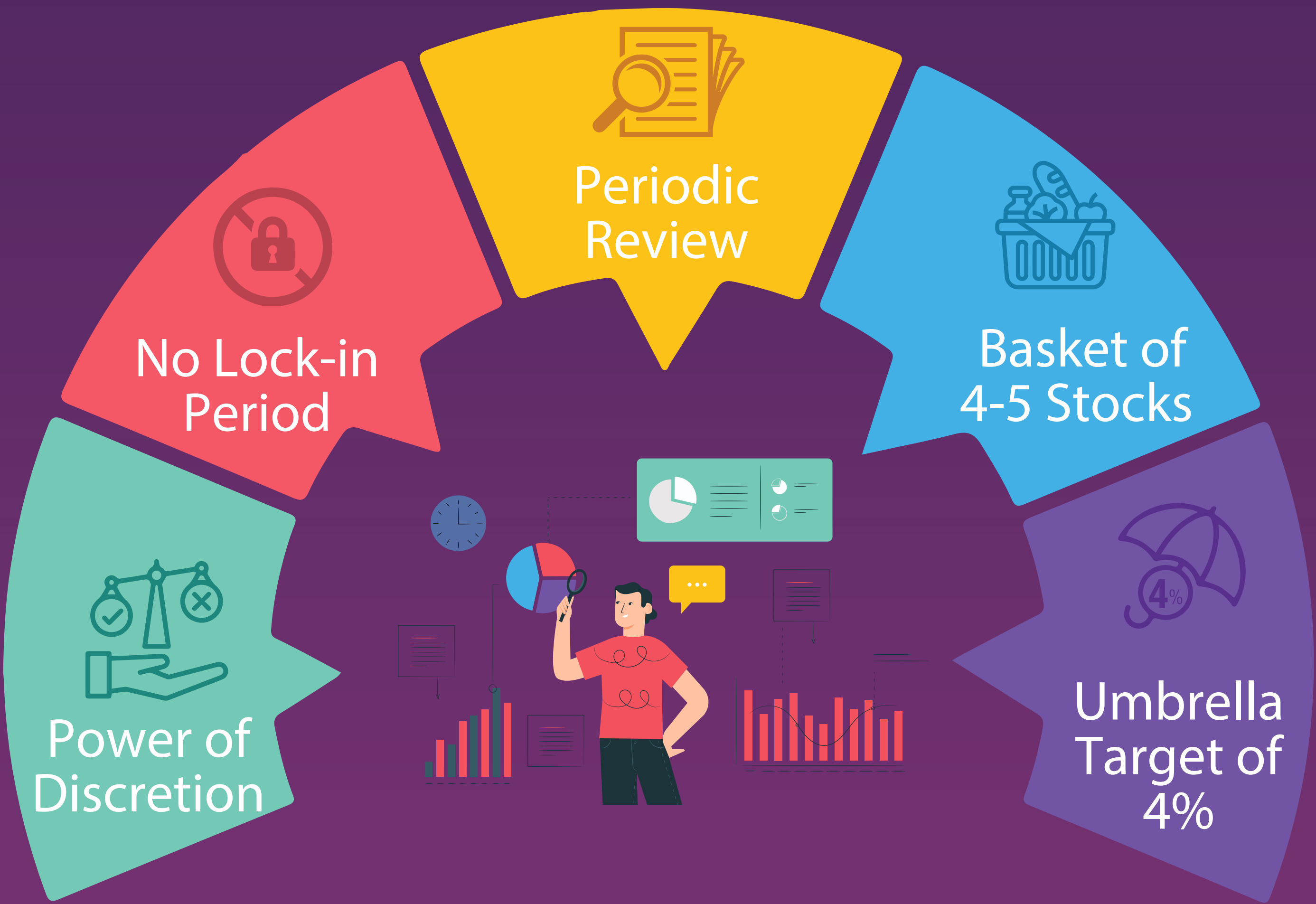
Finkart offers benchmark-relative strategies across the market-cap spectrum of India. We believe the stock market is tremendously efficient to provide opportunities for the disciplined investor.




# Dynamic Research Basket Stock Allocation

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Feat Award Function 2022- 23

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INVESTMENT SERVICES

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

**Anand Rathi Share and Stock Brokers Ltd.,**

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