

Portfolio Management Services

September 06, 2021

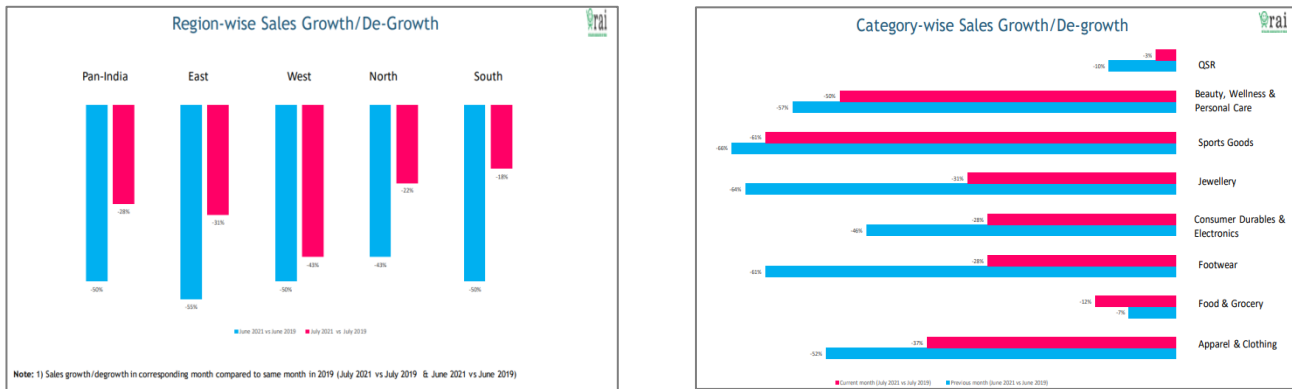


August could well be classified as a fiery month with big upheavals happening across the globe, both naturally and geo politically, as never before seen wild fires have ravaged the earth and rains in Greenland’s ice sheet for the first time in recorded history coupled with flash floods and hurricanes bringing the focus back on global warming while the change of regime in Afghanistan and the way it has happened has the potential to open a Pandora’s box of geo political tensions.

While the equity indices are on a different trajectory – yes 17000 (nifty) it is – and it is reminiscent of the wolf story – where a majority has been crying for a correction for a very long time but the markets awash with liquidity are defying all gravity to continue their march and now with green shoots visible across the arc, as most high frequency data is at better than the pre-covid levels, while the festive season boost is yet to trickle in, the markets could be getting ready for an extension. The markets globally are betting on central bank support even at the slightest hint of risk to growth, thereby making a large and onetime taper highly unlikely and as the FED very gradually moving into a taper, knee-jerk reactions maybe avoided.

Retailers Association of India has said that retail sales across India continued to recover in July 2021, reaching 72% of the pre-pandemic levels of July 2019. It said that the rate of recovery was 50% of pre-pandemic levels in June 2021.

Retailers Association Business Survey



The current quarter numbers will also present a better YOY comparison as the economy last year started to normalise Q2 onwards. The quarterly numbers for Q1 have been encouraging prompting more upgrades than downgrades and going ahead the improved performance is expected across companies for the full fiscal year as well. The expected earnings growth scenario for the next 2 years is as robust as it could have been which could also support markets.

Budgetary Sources	Private or Extra Budgetary Sources	Innovative and alternative financing sources
Central Budget (18-20%)	Financing by Banks (8-10%)	Innovative and alternative financing (15-17%)
	Bond Markets (6-8%)	
State Budget (24-26%)	Infrastructure NBFCs (15-17%)	
	PSU Accruals, Equity and Others (8-15%)	

Figure 2: Sources of financing for NIP

NIP AND NMP

The GOI has chalked a detailed plan on asset monetisation for ~14% of the funding requirement of the National Infrastructure Pipeline (NIP). While NIP envisages infrastructure investment of Rs. 111 lakh crores over five-year period from FY 2020 to FY 2025. With annual average investment of ~Rs. 22 lakh crore, this is a significant step-up (~2.5 times) vis-à-vis historical levels of spending on infrastructure., the national monetisation plan (NMP) is the first step in making the funds available to start the NIP process.

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Achievement of incremental annual investment of 2-3% of GDP, as envisaged under NIP, has the potential to enable double digit economic growth (for corresponding period) for the country.

Indicative incremental capex in the next three years across key sectors	FY19-21E	FY22-24E	Incremental
	Amount (Rs bn)	Amount (Rs bn)	Amount (Rs bn)
Cement	200 (43MT)	450 (90MT)	250 (47MT)
Steel	250	1,000 (25MMT)	750 (25MMT)
Other Metals	90	180	90
Refinery	220 (10MMT)	910 (38MMT)	690 (38MMT)
Ethanol blending	50	250	200
PLI	-	1,400	1,400
Chemicals	135	274	139
PSU ex-refineries/Steel	482	620	138
Power - Non Thermal	1,800	2,700	900
Total	3,227	7,784	4,557

Source : Spark Research

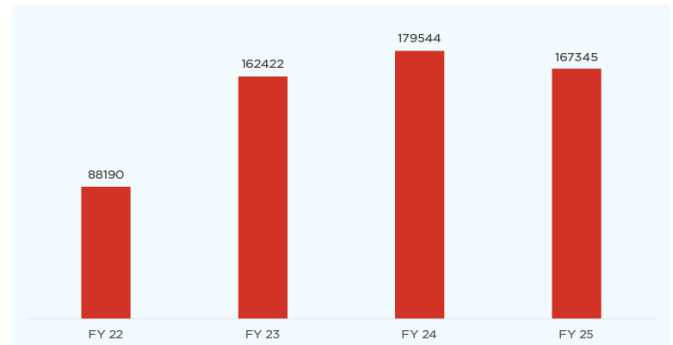
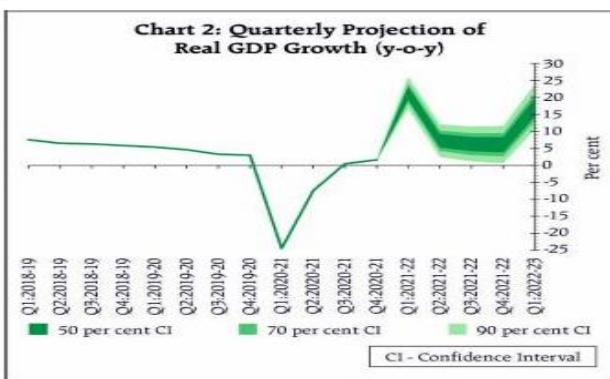
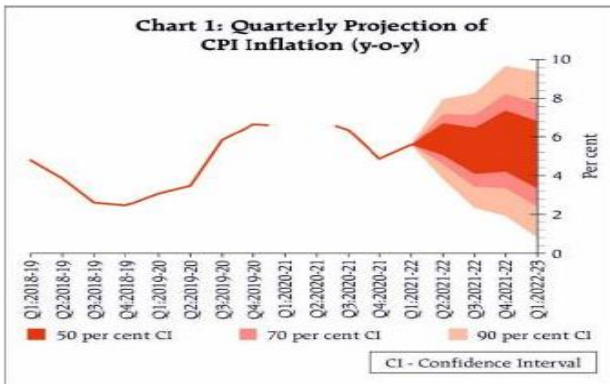


Figure 7: Indicative value of the monetisation pipeline year-wise (Rs crore)

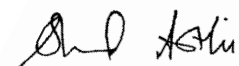
Higher freight rates Climate change and Greenflation:

Climate change has become a serious issue and is disrupting life across the globe as the voices rise favour of reducing our carbon footprint- this Greenflation has the potential to make part of this transitory inflation sticky as large economies like China, US, Europe get serious about reducing the carbon footprint. As these curbs start coming into effect on a wider scale, more so, in a country like China, which is currently the dominant supply source across major commodities, this could create serious supply shocks which are more permanent in nature resulting in higher prices across commodities and their derivatives. Freight rates continued to soar higher as the BDI moved up another 25% during the month while since the start of COVID it is up ~800%.



While the combination of NIP and NMP has the potential to catapult India to the next level of growth the task will not be an easy one, thereby execution remaining the key. The upsurge in our markets can be attributed to better than expected recovery post the second COVID wave. Taper in the US is now largely expected by year end, the delta variant is hurting developed economies like Australia, US, Japan and Europe alongwith South East Asia. Freight rates continued to rise in the current month as well. While in the long term accelerated capital formation with the aid of NIP will remain the key to India's long term growth trajectory, in the short to medium term, given the backdrop of festive season boost in the coming quarters and post monsoon pickup in economic activity we could see continuation of the current mood.

Like it was said by Sir John Templeton, "bull markets are born on pessimism, grow on skepticism, mature on optimism and die on euphoria." i.e., they don't die of old age.

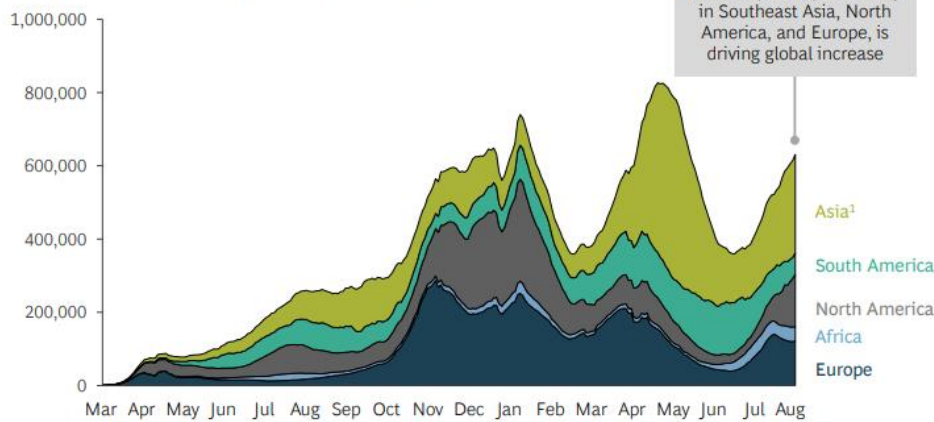


Sharad Avasthi
Vice President – PCG, SMIFS Ltd.

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Delta could rock alpha and beta of equity markets

Daily new cases (7-day rolling average)








Vaccinations happening at a fast clip – still a lot of ground to be covered –

While 1st dose vaccinations have reached ~ 35% of the populace, the 2nd dosage (or completion) still is only ~11% of the population. Even considering 1 crore dosages per day, another 6-7 months will be needed to attain full vaccination. Meanwhile with the 2nd wave and its reach across the nooks and corners of the country there is a high probability that 80% of the

population would have been infected thereby paving the way to herd immunity. Hence herd immunity, better preparedness and speedy vaccinations might prevent a revisit of the panic, both economic and medical, seen during the 2nd wave.

India's COVID-19
Vaccination Coverage
65.41 crore
*As on 1 September 2021

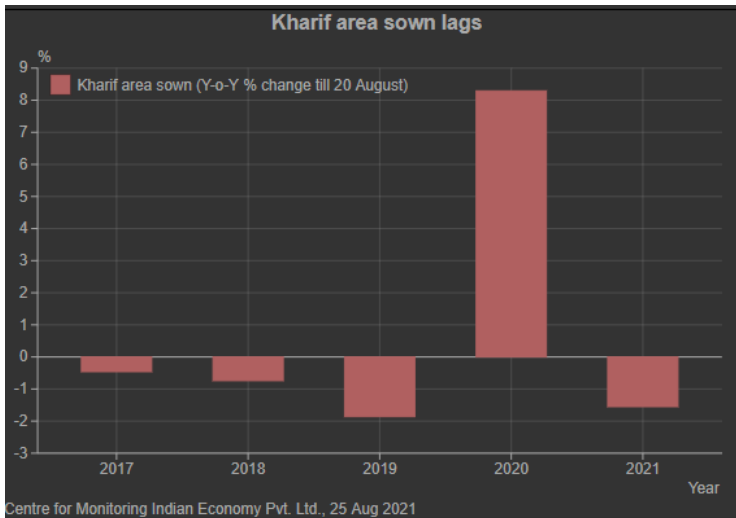


Doses Given	 Healthcare workers (HCWs)	 Frontline workers (FLWs)	 Age Group 18-44 years	 Age Group 45-59 years	 Over 60 years
1 st Dose	1.03 crore	1.83 crore	25.49 crore	13.21 crore	8.75 crore
2 nd Dose	83.94 lakh	1.32 crore	2.87 crore	5.51 crore	4.52 crore

#LargestVaccineDrive

1.33 crore
vaccine doses administered in last 24 hours

Kharif sowing- no major hit- Monsoon to make up for losses in September



By 20 August 2021, the deficit in kharif sown area narrowed to 1.6% compared to the area sown a year ago. Sowing was completed on 104.4 million hectares. This was 97.3% of the normal area sown during the kharif season. Area sown under rice, jowar, bajra, ragi, green gram, groundnut, castor, nigerseed, sesamum, and cotton continued to trail last year’s sown area.

Rainfall revived from the second week of July and remained satisfactory for almost a month. But then it faltered again and was 35% below the LPA during the week ended 11 August and 35.6% below the LPA during the week ended 18 August. Gujarat, Rajasthan, Maharashtra, Madhya Pradesh, Telangana, Chhattisgarh recorded

deficient rainfall preceded or followed by very heavy rains during the weeks of July and August.

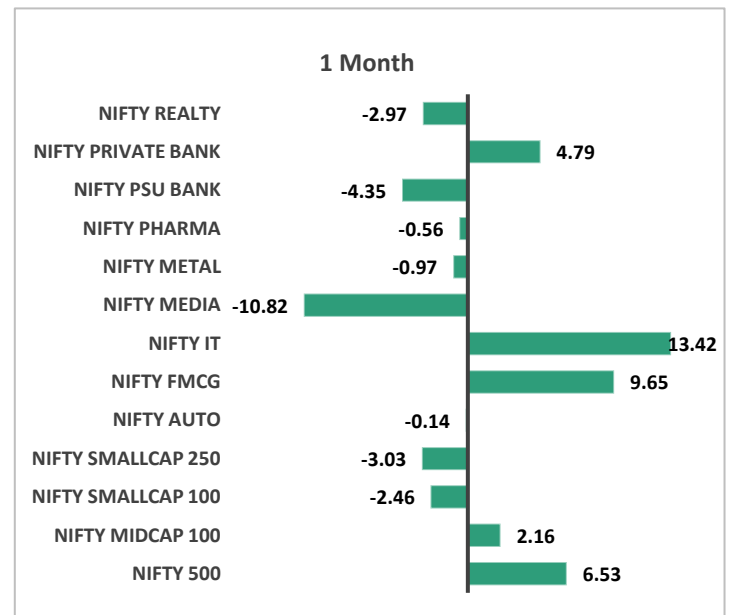
While monsoon has been deficient in the month of August it is expected to make up the lost ground in the current month.

Equity Markets

The equity markets continued to march higher in the month of August.

The IT, FMCG and Private banks led the rally while smallcaps and realty indices took a breather after last months’ outperformance.

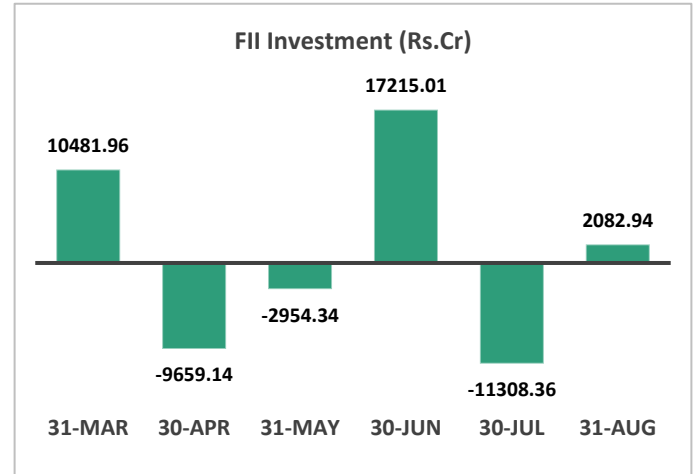
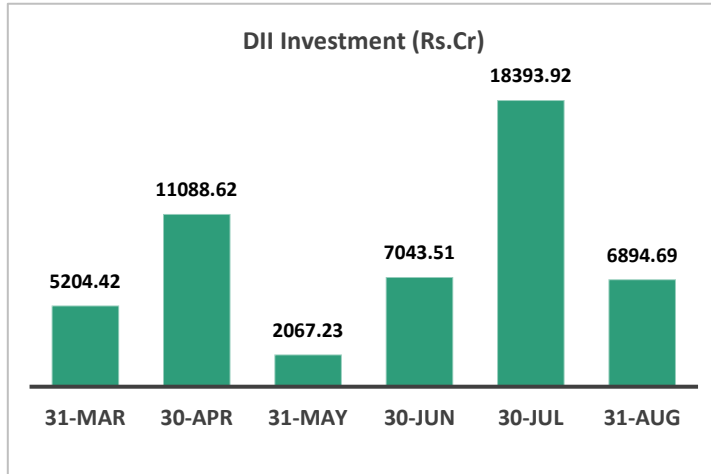
Nifty 500 also logged in very decent gains for the month as the rally spread across midcaps as well.



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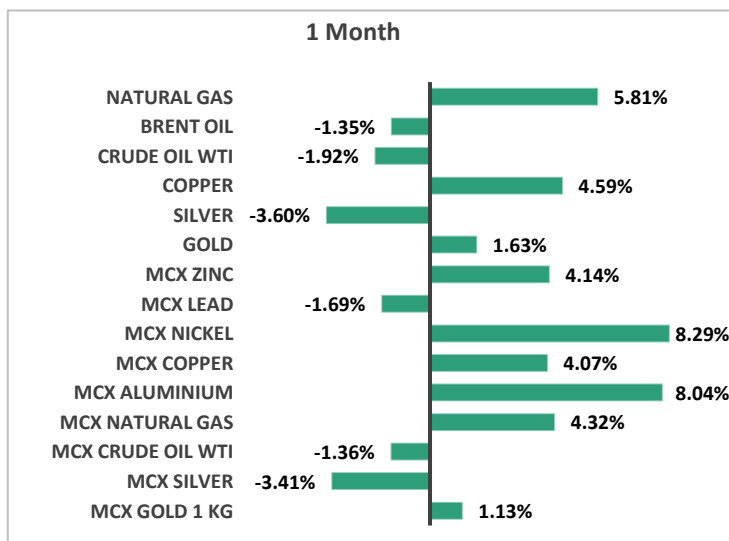
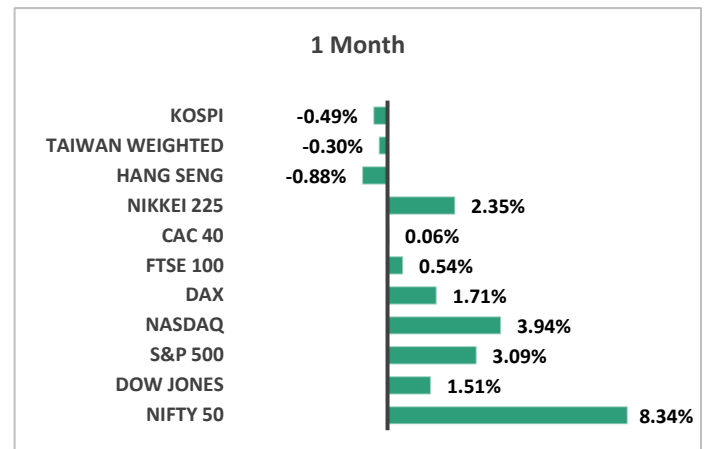
Fund flows- Equities



Global Markets

India is the star of the Month while most other Asian markets were weak for the month with the exception of Nikkei, all of them registered healthy recovery from the lows. The US markets continue to be strong. The European markets also recovered from their lows during the month as optimism returned on expectations of a very gradual taper.

With most announcements signaling a taper to happen mostly later in the year and the speed expected to be very gradual the risk on sentiment made a strong comeback.



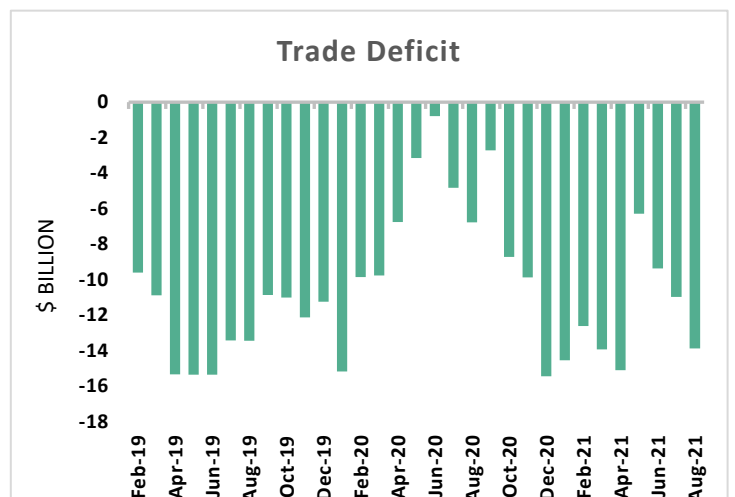
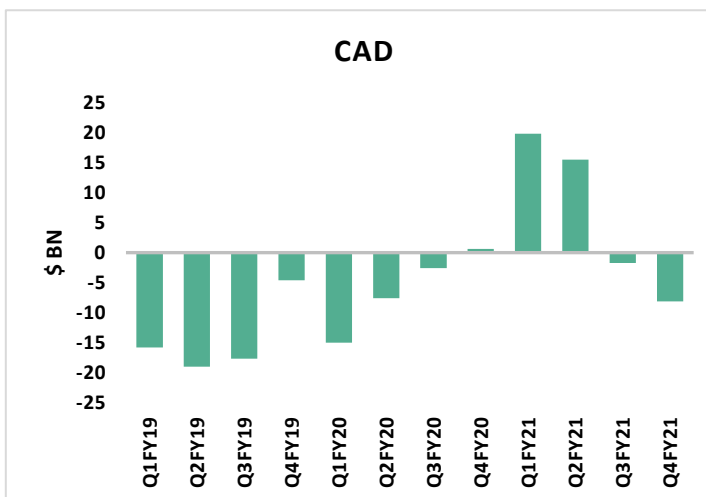
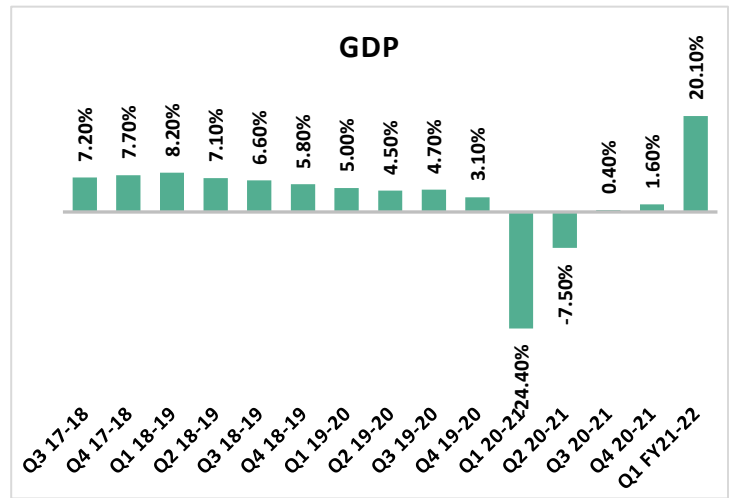
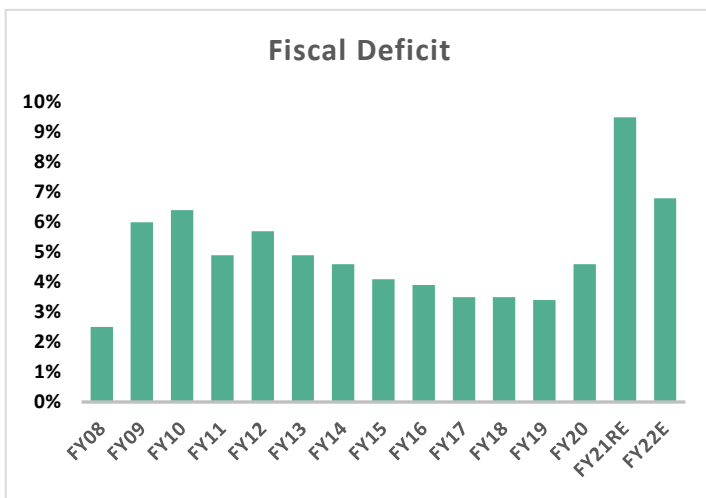
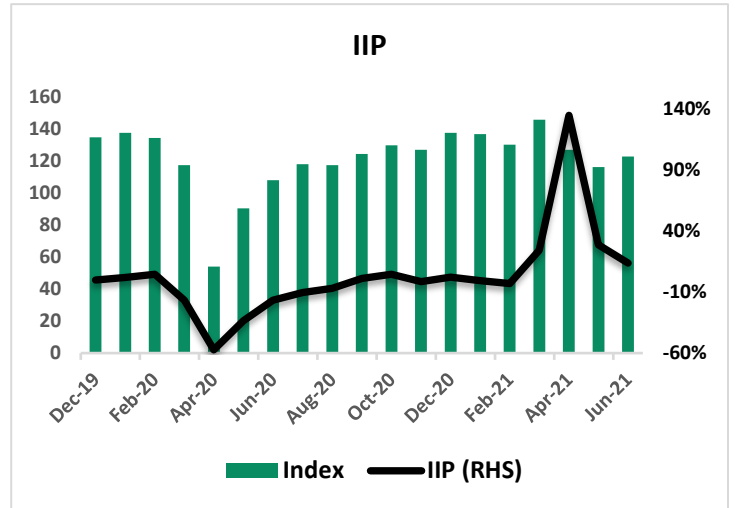
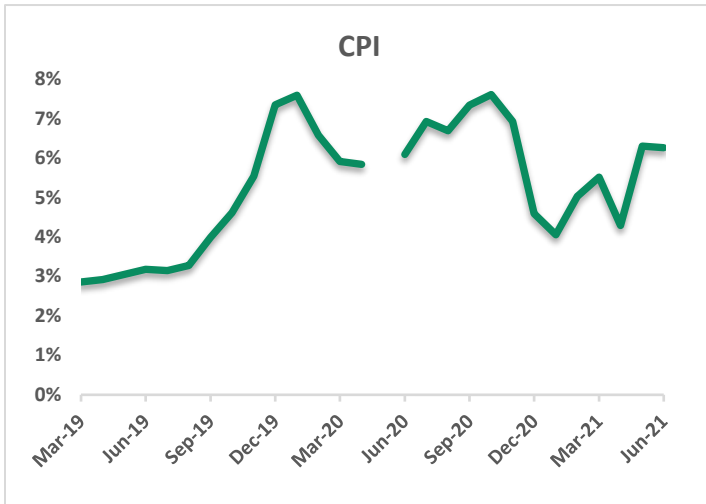
Commodities & Precious Metals

Base metals continue to rally due to supply bottlenecks and very high freight rates.

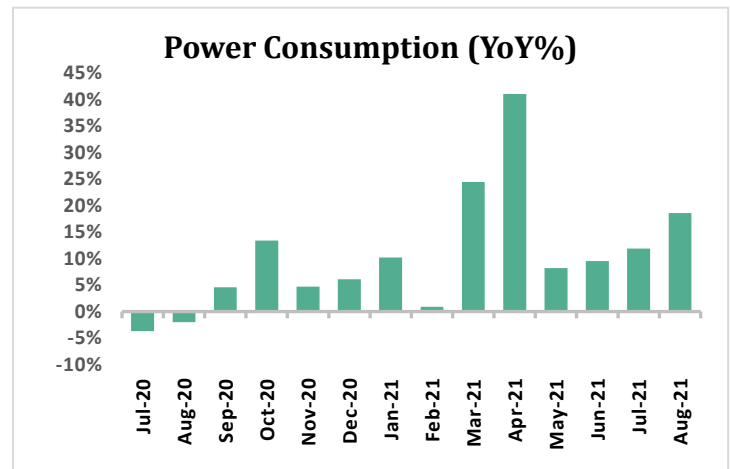
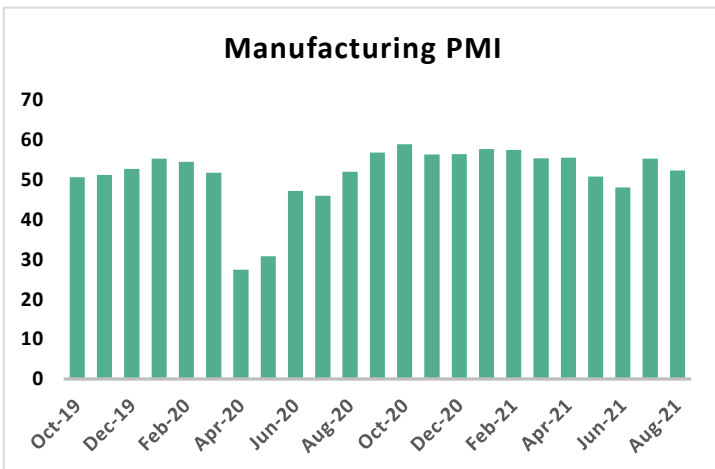
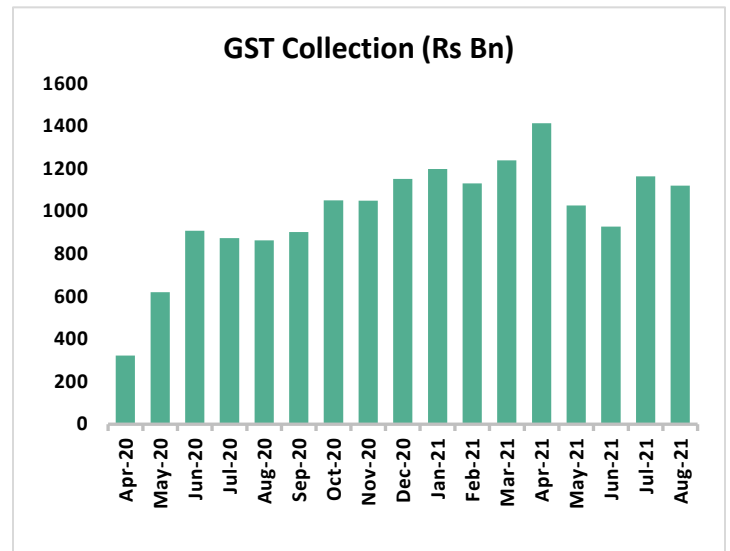
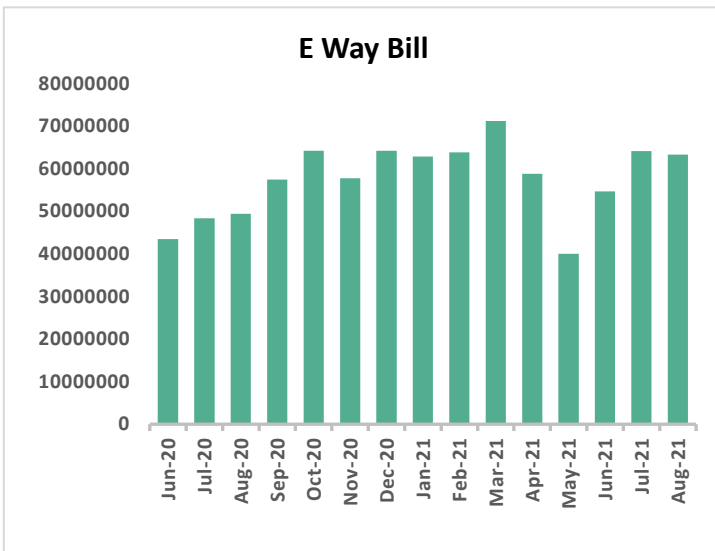
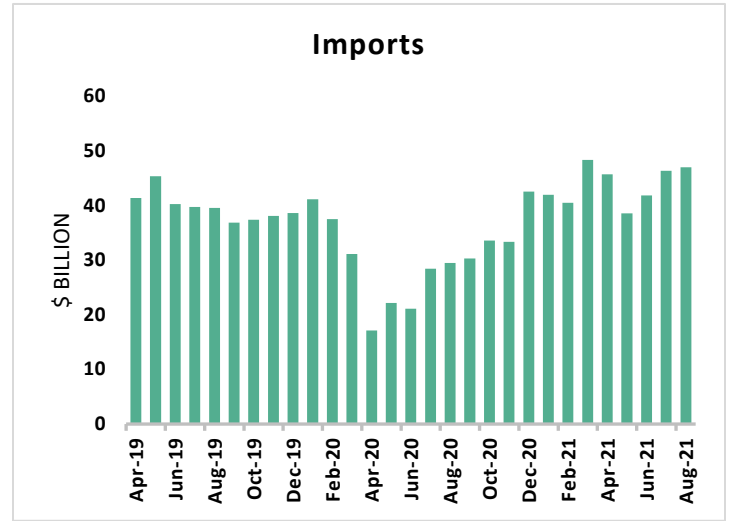
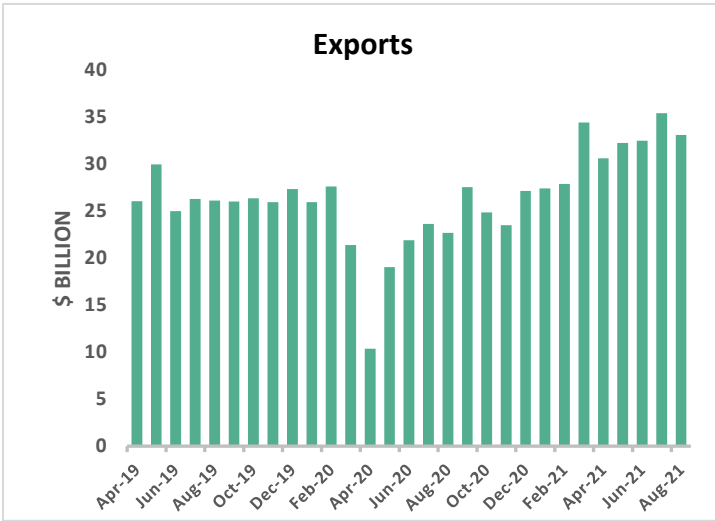
Oil though was weak on MoM basis, made a sharp recovery from the lows as the US was hit by storms and optimism returned regarding economic growth.

Precious metals also recovered from their lows but were lower on a MoM basis.

Macro Data – India



PMS - Indinomics



EVERGREEN

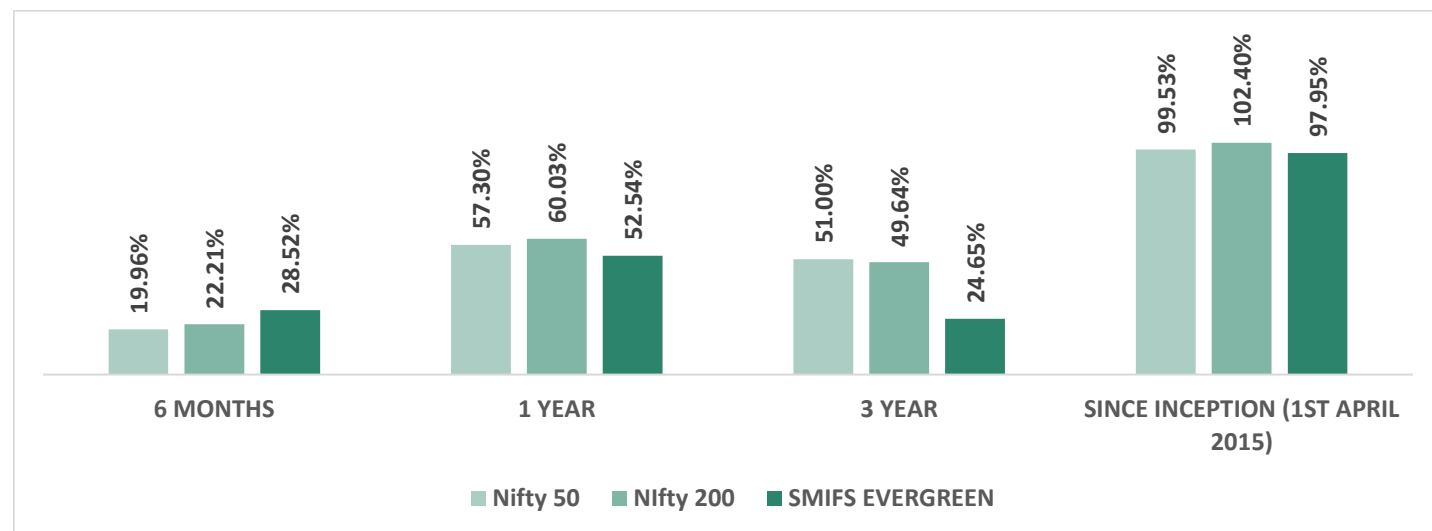
Investment Objective

SMIFS EVERGREEN	
Investment Philosophy	To invest in companies with Growth at Reasonable Price
Risk Appetite	Minimal
Strategy	Invest in fundamentally strong companies available at affordable valuation in large, mid and small caps
Investment timeframe	2-3 years
Sectoral Bias	Across the spectrum with no particular bias
Maximum Weightage	Stock 15% and Sector 25%

Details

Investment Committee & Members	: Mr. Rahul Kayan Mr. Ashwini Kumar Tripathi Mr. Sharad Avasthi
Strategy Type	: Open ended
Date of Inception	: 1st April 2015
Benchmark	: Nifty 200

Absolute Return %



Market Capitalization

	% Allocation
Largecap	27.7
Midcap	55.9
Smallcap	11.2

Top 10 Holdings

Companies	% Allocation
HCL Technologies Ltd	7.7
Larsen & Toubro Ltd	7.1
Bharti Airtel Limited	7.1
AIA Engineering Ltd	6.9
Vaibhav Global Ltd	6.8
Can Fin Homes Ltd	6.7
Solar Industries India Ltd	6.7
Aarti Industries Ltd	6.4
Oracle Financial Services Ltd	6.4
Ge Power India Ltd	6.1

Top 3 Sectors

Sector	% Allocation
IT	20.1
BFSI	12.1
Capital Goods	11.6

HARVEST

❖ Investment Objective

SMIFS HARVEST	
Investment Philosophy	To invest in companies considering calculated risk to achieve significant growth
Risk Appetite	Moderate
Strategy	Invest in identifiable growth stocks in mid and micro caps at an early stage so as to ride the surge in value at the right time
Investment timeframe	Medium to long term, from 6-18 months. Expect some churn arising out of investment review
Sectoral Bias	Focus on high growth sectors in India
Maximum Weightage	Stock 20% and Sector 30%

❖ Details

Investment Committee & Members	: Mr. Rahul Kayan Mr. Ashwini Kumar Tripathi Mr. Sharad Avasthi
Strategy Type	: Open ended
Date of Inception	: 1st April 2015
Benchmark	: Nifty Midcap 100

❖ Absolute Return %

❖ Market Capitalization

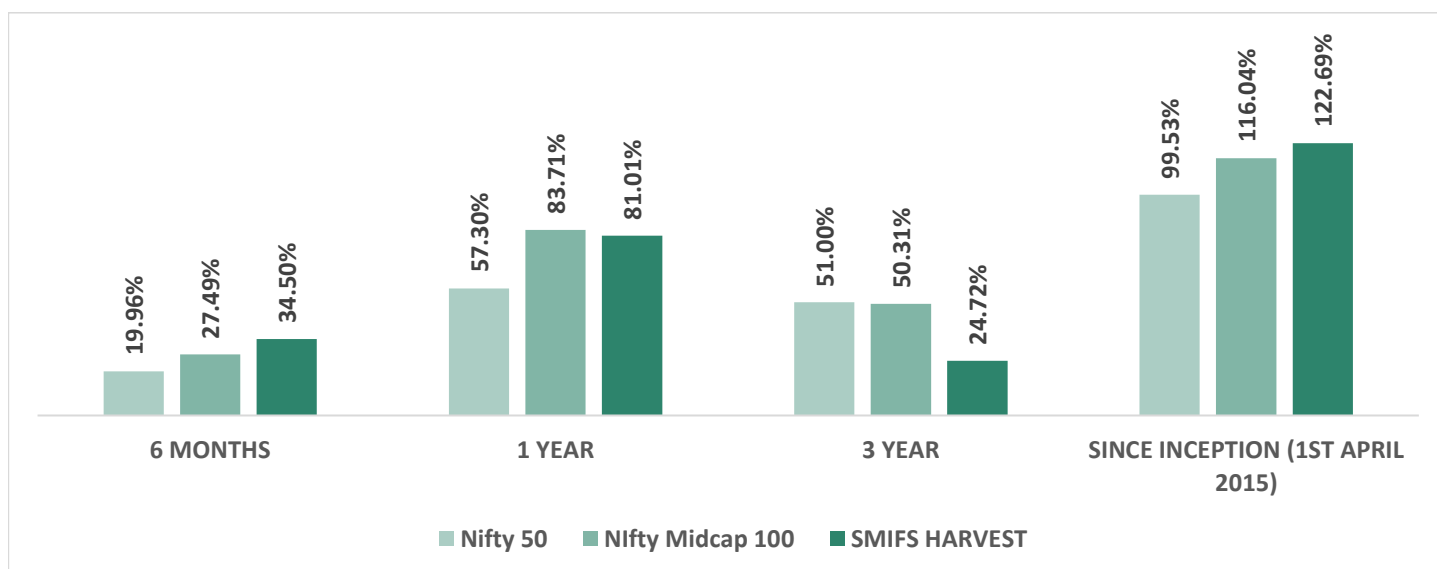
	% Allocation
Largecap	Null
Midcap	45.5
Smallcap	45.0

❖ Top 10 Holdings

Companies	% Allocation
India Pesticides Ltd	6.6
Olectra Greentech Ltd	6.0
Hester Biosciences Ltd	5.8
Deepak Frt & Ptrchm Ltd	4.9
Voltas Limited	4.8
Asian Energy Services Ltd	4.7
Power Mech Projects Ltd	4.6
CESC Ltd	4.4
DFM Foods Ltd	4.4
Pennar Industries Ltd	4.4

❖ Top 3 Sectors

Sector	% Allocation
Chem & Fert	15.8
E comm	11.4
FMCG	8.4



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