

Portfolio Management Services

October 09, 2021



September can at best be called the cool-off month as global equity markets retreated from intra month highs. The threat of higher inflation and a change in the interest rate and liquidity trajectory created a risk off sentiment. Most 10y Govt securities yields have moved up while for US particularly they are still below pre COVID levels of ~1.95% while for other developed markets like Australia and UK they crawled above pre COVID levels.



Input Price Hikes on the anvil

In India the inflation trajectory is largely dominated by oil prices as higher palm and other vegetable prices and higher crude prices are buoying inflation. Coal, natural gas and other commodity prices are also higher in the backdrop of the power crisis brewing in China and Europe while recent commentary coming out of Russia has provided some relief on natural gas prices. On the domestic front most companies expect raw material prices to be higher in the months to come and as this trend is not

expected to reverse in a hurry atleast in the fossil fuel segment, we could see some increase of input and energy and fuel prices across all industries. Over the last 3 quarters data of ~2600 non-financial and non-government companies has shown increase in margins which could come under pressure in the next 2 quarters due to high input and energy prices while sales growth- buoyed by festive season could negate the impact.

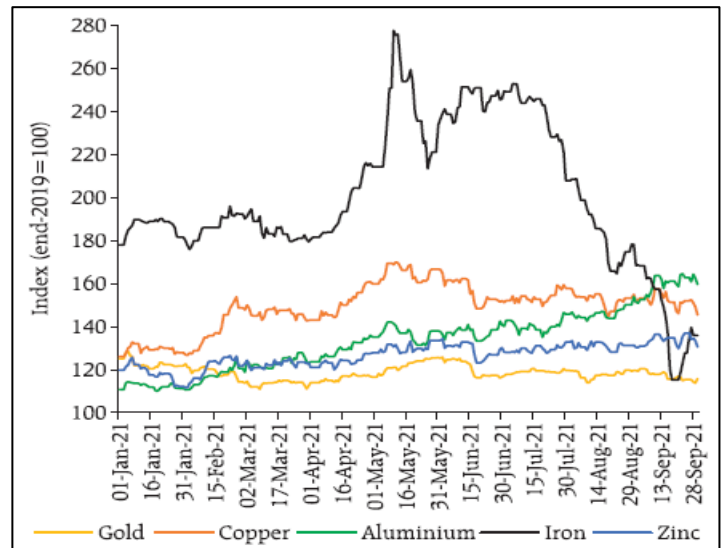
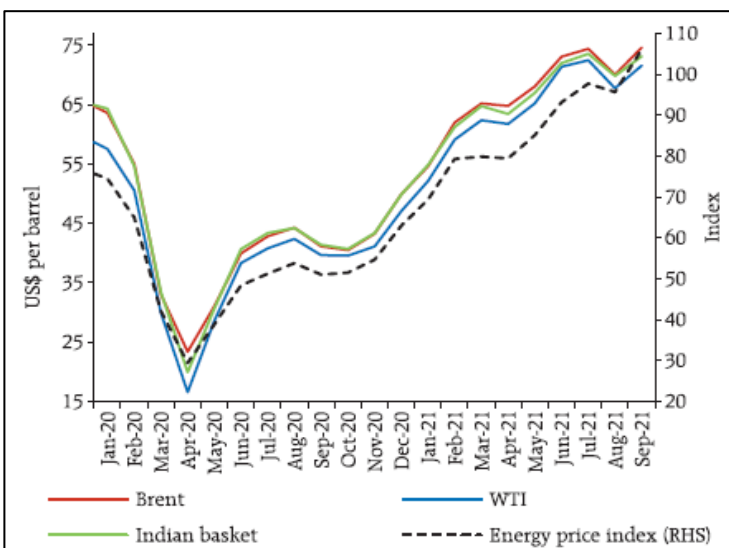
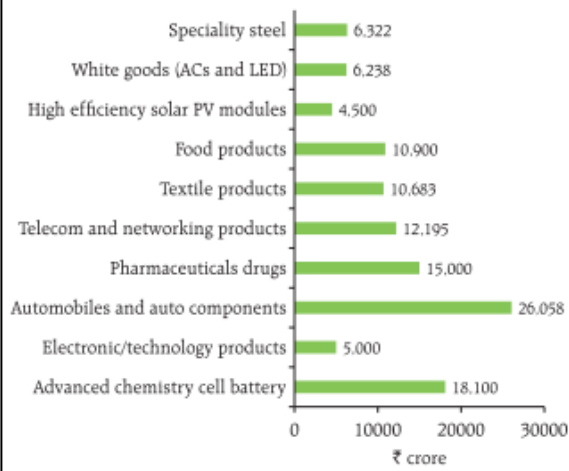


Chart III.21: PLI Scheme: Sectoral Financial Outlays

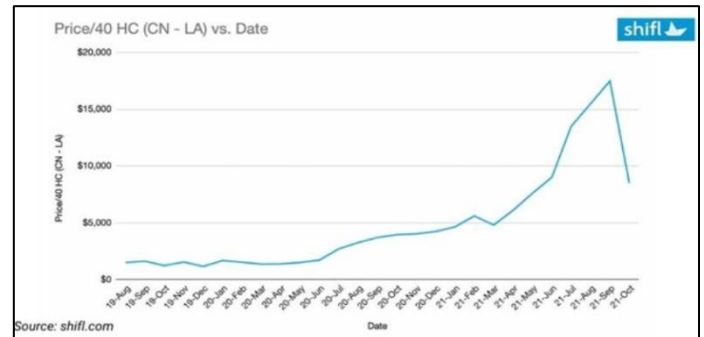


PLI – Capex savior

While capex seems to flagging manufacturing activity is expected to be boosted by the PLI scheme for 13 sectors, aimed at creating global manufacturing champions for an Atma Nirbhar Bharat, with an outlay of about Rs. 1.97 lakh crore over 5 years. The PLI scheme, implemented across ten sectors so far (Chart III.21), can improve the manufacturing sector’s global competitiveness and participation in the global supply chain, giving impetus to domestic production, exports, investment in cutting edge technology, innovations and employment opportunities by establishing linkages with the MSME sector.

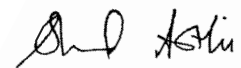
Freights - some normalization

Freight rates have started some course correction. The adjacent chart shows the spot rate for taking a 40 ft container from China to the US West Coast halved between September and October. Rates may edge a little higher in the coming weeks due to the holiday season preparation in the US and Europe beyond which they are expected to correct further.



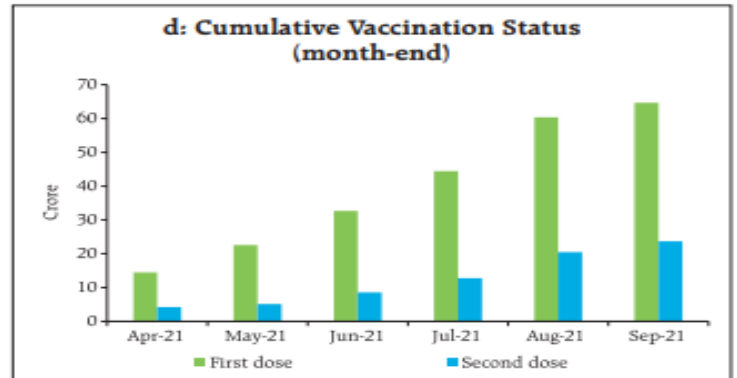
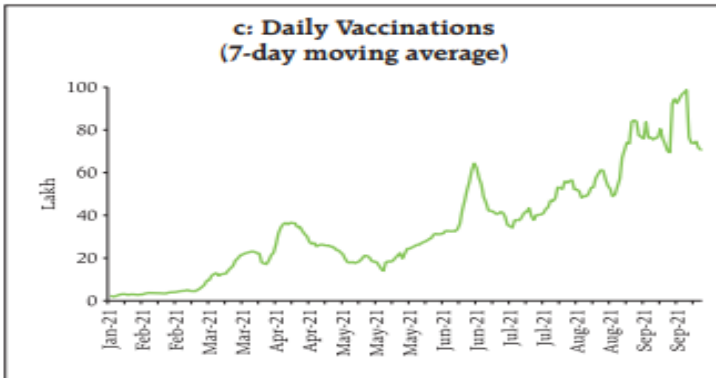
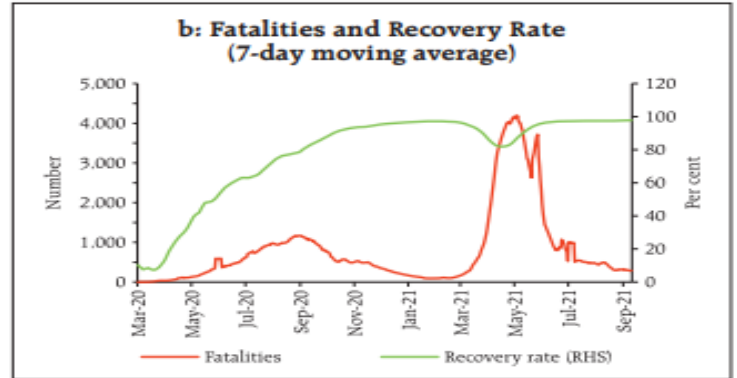
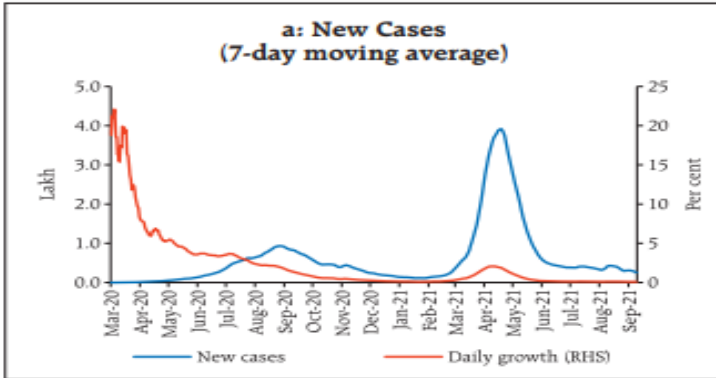
With taper around the corner, inflation refusing to prove to be as temporary as thought earlier, Geo-political tensions again on the rise and clouded Global outlook due to the possible change in China’s policies countered by improving and/or normalizing global trade, lower freight rates, strong domestic growth rates, PMI’s across services and manufacturing showing positive sentiments for Q2, improved debt servicing capacity of corporates and PLI providing the much needed support to flagging capex – we could be entering a phase of volatile adjustments across asset classes.

"Know what you own, and know why you own it." — Peter Lynch

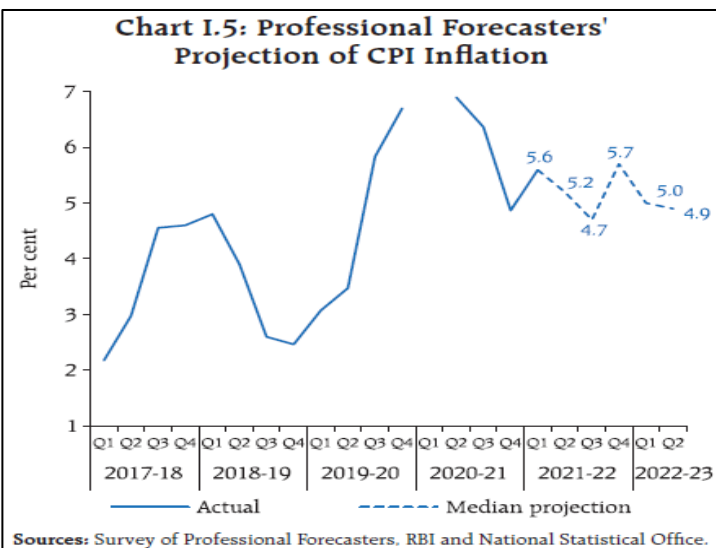


Sharad Avasthi
Vice President – PCG, SMIFS Ltd.

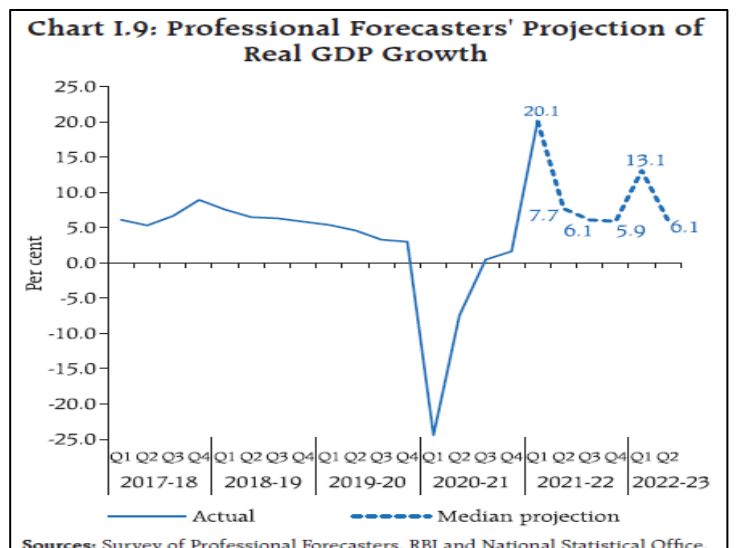
COVID in control for the time being



Source: Ministry of Health and Family Welfare (MoH&FW).



Sources: Survey of Professional Forecasters, RBI and National Statistical Office.



Sources: Survey of Professional Forecasters, RBI and National Statistical Office.

Portfolio Management Services

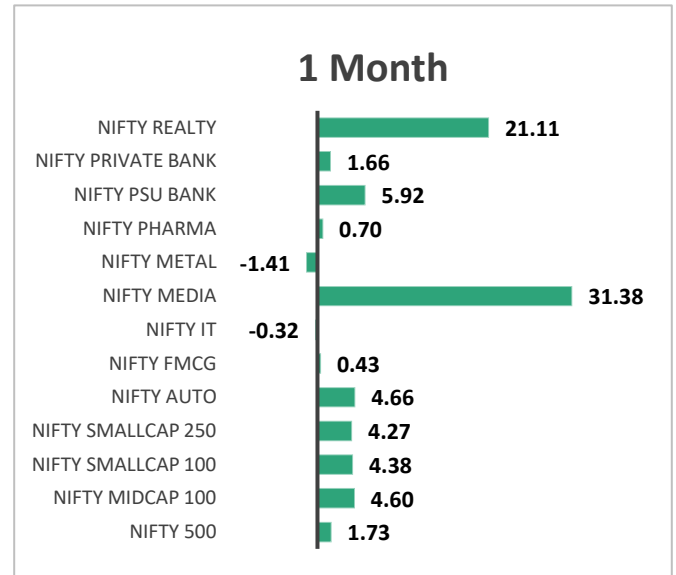


Equity Markets

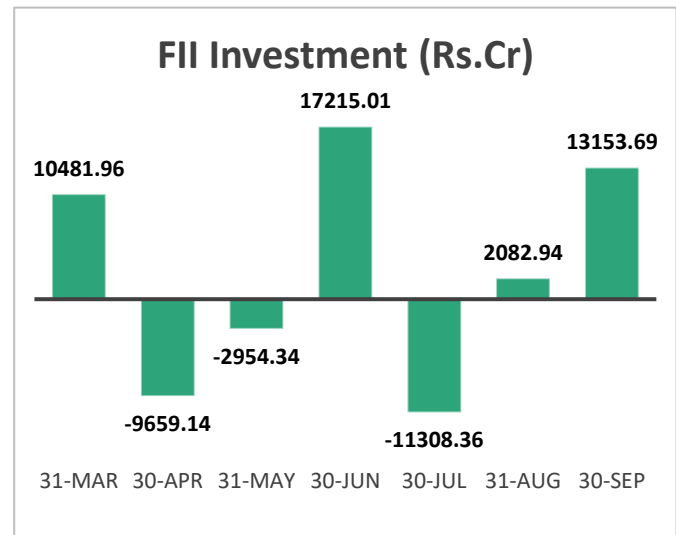
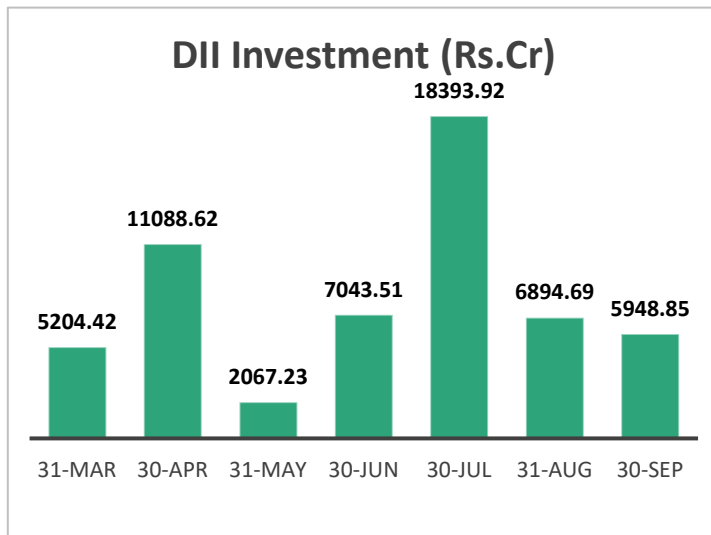
The realty stock continued to soar logging in the strongest gains for the month while media stocks also gained substantially on the back of the Zee Sony merger news.

Metals and IT lost a bit of momentum with marginal MOM losses.

Auto and PSU stocks also logged in decent gains.



Fund flows- Equities

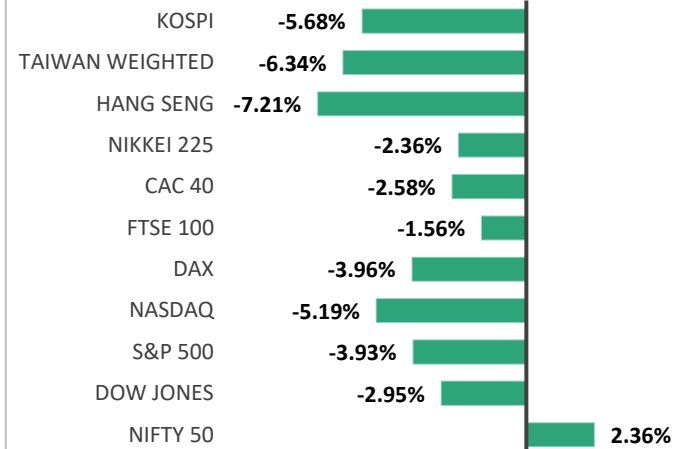


Global Markets

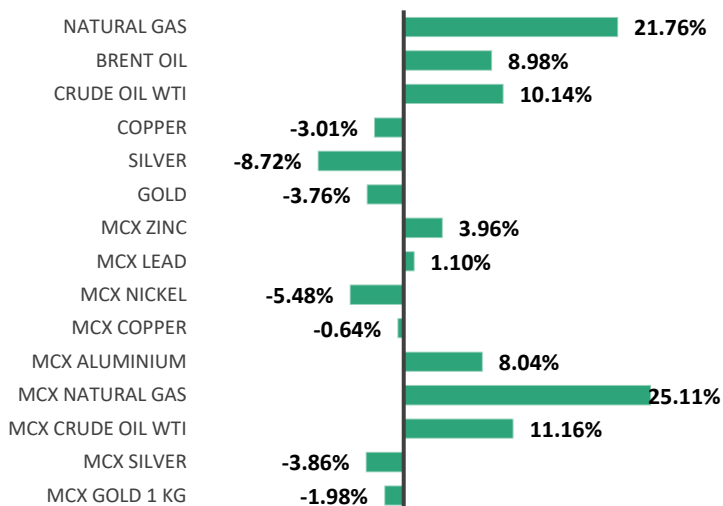
Global equity market rally was stalled during the month as the double whammy of higher inflation and disruption in China and Europe on account of power outages gave way to fears of economic slowdown and gave way to higher inflationary pressures in the months to come and the non-sticky inflationary trend staying for longer.

Amongst Asian markets Nikkei had recovered the most on hopes fresh liquidity boost from the new president but during the month Nikkei ended giving up most of its gains as well. On an average most markets lost ~4-6% from their intra month peaks.

1 Month



1 Month



Commodities & Precious Metals

Natural gas prices continued their upmove gaining another 22% during the month led by expectations of a surge in demand in winters in Europe and China.

Brent also moved higher taking cues from higher gas prices.

Precious metals lost some ground on the back of strengthening USD and rising treasury rates while base metals were mixed for the month.

EVERGREEN

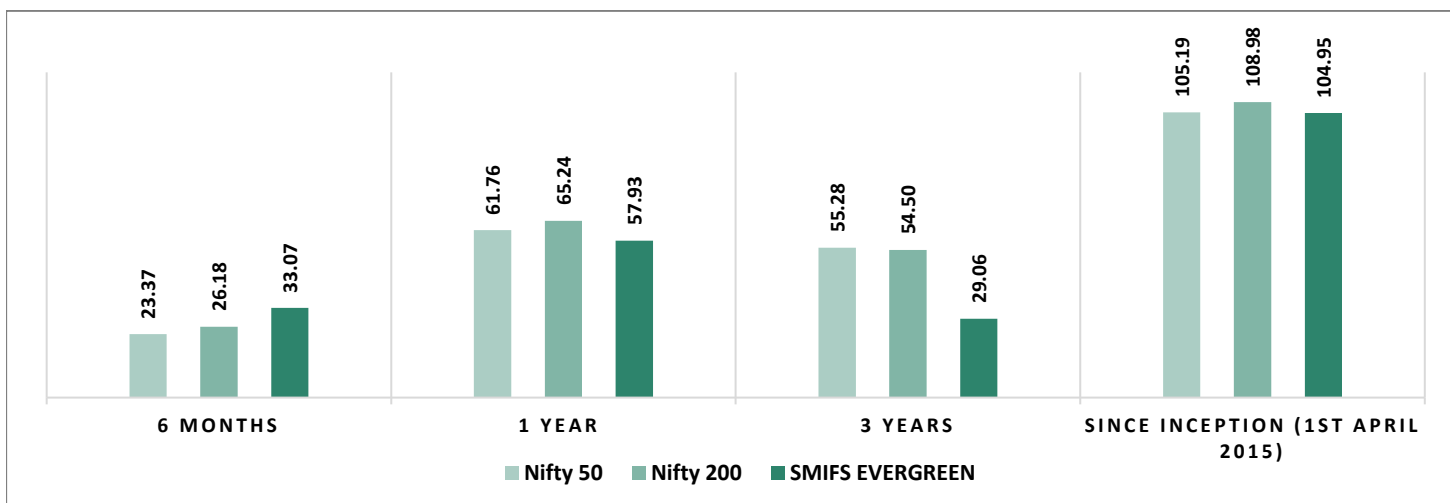
Investment Objective

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	28.3
Midcap	56.9
Smallcap	10.5

Top 10 Holdings

Companies	% Allocation
HCL Technologies Ltd.	8.1
Can Fin Homes Ltd.	7.8
Solar Industries India Ltd.	7.8
Bharti Airtel Ltd.	7.5
Nazara Technologies Ltd.	7.3
Larsen & Toubro Ltd.	7.0
AIA Engineering Ltd.	6.6
Vaibhav Global Ltd.	6.3
Aarti Industries Ltd.	6.1
Oracle Financial Services Software Ltd.	5.9

Top 3 Sectors

Sector	% Allocation
IT	21.4
BFSI	13.4
Capital Goods	11.0

Evergreen

HCL Technologies Ltd

The third largest IT services company by revenues from India. Acquisition of IBM's IPR's for seven of its product suites in fiscal 2019 has provided access to a large addressable market about 20,000 clients across geographies. The acquisition of Cisco's Self-Optimizing Network (SON) technology will help HCL Tech meet the growing needs of its customers in the telecommunications industry as technology has become a major component in the move towards 5G networks. HCL Tech's ecosystem consists of close to 100 companies in various technology areas and it has formed go-to-market alliances, specialist partnerships for niche technologies, and teaming partnerships for specific customers.

Canfin Homes

CFHL is promoted by Canara Bank which holds the majority stake of 29.99% in the company as on June 30, 2021. CFHL mainly focuses on loans to salaried and professional class which constituted of 73.2% of the total outstanding loan portfolio. Around 90.5% of the overall portfolio constitutes of housing loans, while the balance is made of mortgage loan/loan against property and other top-up loans, top-up personal loans, etc. The company remains southern region focused with 114 out of 200 total branches located in south India and 69% of the total advances from southern states.

Solar Industries India Ltd

Industrial Explosives (73% of the revenue)-The explosives manufactured by the company is used by a wide range of segments from the Mining Industry to the Housing and Real estate industry. Defence (8% of the revenue)-It is also the first private player to establish a facility to manufacture RDX, HMX and TNT, which is used by the defence industry to produce propellants, war heads and Rockets. The company has invested 153 crores for its expansion most of which was utilised for increasing its global footprints by entering into Australia and Tanzania.

Bharti Airtel Limited

Bharti Airtel Ltd is one of the world's leading providers of telecommunication services with presence in 18 countries representing India, Sri Lanka, 14 countries in Africa. Revenue Breakup- Mobile (India) – 49.8%, Africa – 25.8%, Airtel business – 12.9%, Homes – 2.1%, Digital Services – 2.7%, Towers – 6.4%. It became the first telecom service provider to demonstrate its capability to roll out 5G wireless services in India. Airtel business is India's largest player in the B2B connectivity space and serves over one million businesses with an integrated portfolio.

Nazara Technologies

A leading India-based diversified gaming and sports media platform with a presence in India and across emerging and developed global markets such as Africa and North America, with offerings across the interactive gaming, esports and gamified early learning ecosystems. The content is developed in-house for the Indian as well as global audience. Among the first entrants in the Indian market in esports (through Nodwin) and cricket simulation (through Nextwave). Amongst the few companies that have championed the case for esports in India.

They now command the greatest mindshare in the mobile cricket segment. Kiddopia remains one of the top downloaded gamified early learning apps in the United States.

Larsen & Toubro Ltd

Infrastructure segment accounts for ~75% of order book, followed by hydrocarbon (~14%), Power (~4%), Defence engineering (~2%), heavy engineering (1%) and others (4%). Domestic orders accounts for ~79% of order book, followed by Middle East (~13%) and others (~8%). The company's IT business is divided between its 3 subsidiaries :- a. L&T Infotech Ltd b. Mindtree Ltd & c. L&T Technology Services Ltd. The company's financial services business primarily comprises of rural finance, housing finance, wholesale finance, mutual fund and wealth management. The business is controlled by company's subsidiary L&T Finance Holdings Ltd.

AIA Engineering Ltd

They are into designing, developing, manufacturing and installation of abrasion and corrosion resistant castings. It's the Second Largest Hi-Chrome casting producer in the world. The company has 11 subsidiaries in countries including India, UAE, UK, USA, etc. The company's current capacity stands at 3,90,000 MT of high chrome mill internals. It is in the process of setting up a dedicated Greenfield plant for manufacture of Mill Lining with a capacity of 50,000 TPA.

Vaibhav Global Ltd

Company owns Shop LC for USA & Shop TJC for UK which are both 24 hour live shopping channels. Presently, about 67% of revenues comes from TV platform & the rest 33% revenues come from web platform.

Aarti Industries Ltd

The Company ranks among the top five globally for 75% of its portfolio and is a 'Global Partner of Choice' for various major global and domestic customers. Aarti Industries Limited manufactures and sells specialty chemicals and pharmaceuticals in India. The company also provides active pharmaceutical ingredients. The Company expects to have an investment of about Rs. 1,000-1,200 crores annually for next couple of years.

Oracle Financial Services Ltd

Oracle Financial Services Software Limited provides information technology (IT) solutions and business processing services to the financial services industry worldwide. It operates through three segments: Product Licenses and Related Activities, IT Solutions and Consulting Services, and Business Process Outsourcing Services.

HARVEST

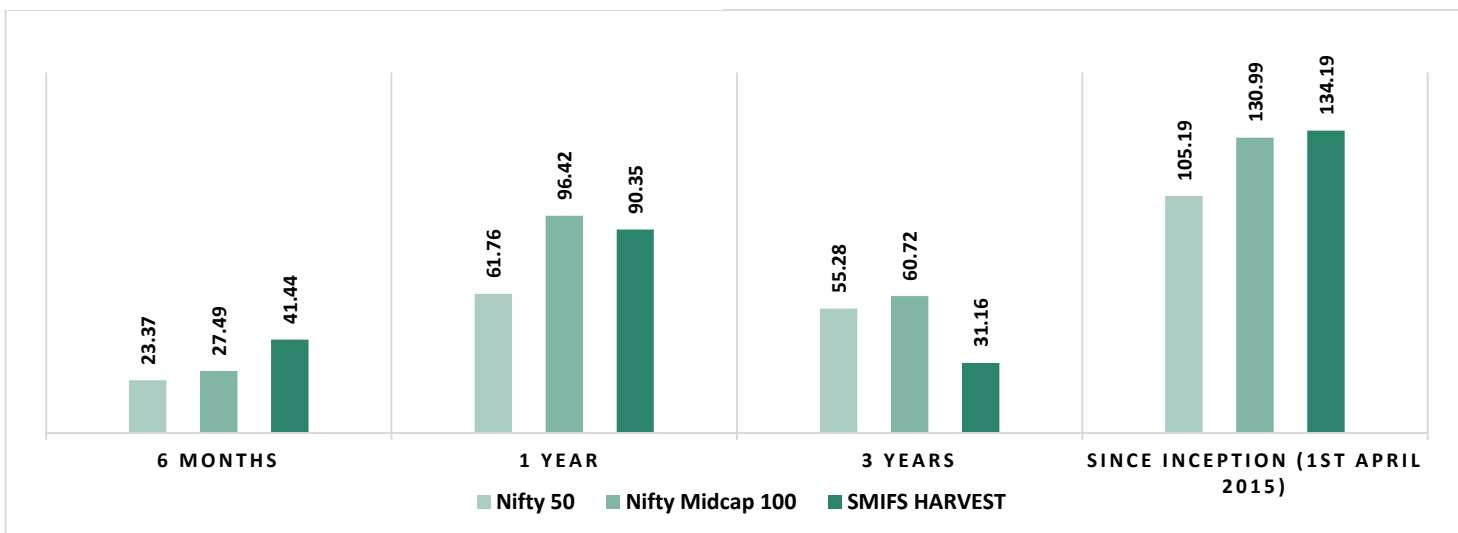
❖ Investment Objective

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	49.7
Smallcap	46.5

❖ Top 10 Holdings

Companies	% Allocation
Asian Energy Services Ltd.	7.9
India Pesticides Ltd.	7.7
Hester Biosciences Ltd.	6.9
Deepak Frt & Ptrchm Limited	5.8
Voltas Ltd.	5.7
Power Mech Projects Ltd.	5.0
CESC Ltd.	5.0
KEI Industries Ltd.	4.5
Natco Pharma Ltd.	4.4
DFM Foods Ltd.	4.4

❖ Top 3 Sectors

Sector	% Allocation
Chem & Fert	13.6
E comm	11.4
Healthcare	11.3

Harvest

Asian energy Services

Provides services to energy and minerals sector in India and internationally. It offers services, including 2D/3D land seismic acquisition, transition zone acquisition, on-site data processing, borehole and multi-client seismic, seismic consulting and interpretation, and wireless seismic and data acquisition in real time. The company also operates and maintains onshore and offshore oil and gas facilities. In addition, it offers various facilities, such as floating oil production units; floating, production, storage, and offloading; mobile oil production units; and onshore oil and gas terminals.

India Pesticides Ltd

India Pesticides Limited is one of the globally operating agro-chemical manufactures, since 1984. The company engages in the manufacture, sale, and distribution of fungicides, herbicides, insecticides, and various agrochemical products, as well as active pharmaceutical ingredients for use in pharmaceutical drugs. It also exports its products to Australia Europe, Africa, and Asia. The company is the sole Indian manufacturer and among the top five manufacturers globally for several Technicals

Hester Biosciences Ltd

The leading animal health care companies & the second largest poultry vaccine manufacturer in India. Founded by Mr. Rajiv Gandhi in 1987, it has now a presence in over 30 countries & has a key market in India, Nepal & Tanzania Partners with Bill & Melinda Gates Foundation, GALVmed, Golchha Organisation, Novapharma, etc.

Deepak Frt & Ptrchm Ltd

Produces and sells fertilizers and industrial chemicals in India. It operates through Chemicals, Bulk Fertilisers, Realty, and Windmill segments. The company also exports its products to approximately 27 countries across 6 continents. The crop nutrient business contributes 45.4% to revenues while the industrial chemicals business contributes 54.4% to revenues. The company also exports its products to approximately 27 countries across 6 continents. Largest manufacturer of Bentonite Sulphur and a market leader in speciality and water-soluble fertilisers in India

Voltas Limited

Part of the Tata Group, which holds 30.30% stake in the company. Voltas is present in the Mechanical, Electrical and Plumbing (MEP) and Heating, Ventilation and Air-Conditioning (HVAC) projects segments in the domestic and international (mainly West Asian) markets, as well as in the AC business in the domestic market. These two businesses account for ~95% of Voltas' revenues. Voltas is the undisputed market leader, with ~27% market share in Room Air Conditioners, manufacturing and marketing India's No.1 brand of Air Conditioners, with a substantial lead over numerous multi-national competitors. It also has a lead position in Commercial Refrigeration products and has forayed into Fresh Air Coolers, a new proposition in cooling.

Power Mech Projects Ltd

Largest O&M service provider in India, 110 On-going projects including 42 AMCs and 10 overseas projects. Presently Operates Pan-India with International operations spread across Middle East, North Africa, South Asia and Africa. Strategic foray into Railway, Rural Electrification, Water Projects and Cross Country Pipelines projects along with diversification into material handling & associated works leading to widening focus from Power to Non-Power sectors. 15,000 direct and 25,000 indirect work force and huge fleet of cranes and machines, it is capable of handling and executing over 4,00,000 MT annually while operating up to 55 sites simultaneously. Order backlog of ~16000 crs.

Cesc

An integrated electrical utility company, engages in the generation, transmission, and distribution of electricity in India. It owns and operates three thermal power plants, including Budge Budge, Southern, and Titagarh generating stations generating 1125 megawatts (MW) of power; a thermal power projects with a capacity of 600 MW in Haldia, West Bengal; two thermal power projects with a capacity of 640 MW in Chandrapur, Maharashtra and Asansol, West Bengal; and transmission and distribution systems that comprise 474 km circuit of transmission lines linking the company's generating and receiving stations with 105 distribution stations, as well as 8,211 km circuit of HT lines, and 12,269 km circuit of LT lines.

Kei Industries

One of the leading manufacturers of cables and wires in India, with a diverse product portfolio ranging from house wires to low tension power cables, high tension cables and extra high voltage cables, catering to retail and institutional customers. Share in the total cables and wires industry of 5.2% whereas share in the organized cables and wires industry of 7.3%. Also manufactures SS wires and provides EPC services within the exports business segment. Five manufacturing facilities, with a combined installed capacity of 114,600 Kms in respect of cables, 1,117,000 Kms in respect of wires and 6,600 MT in respect of stainless steel wire.

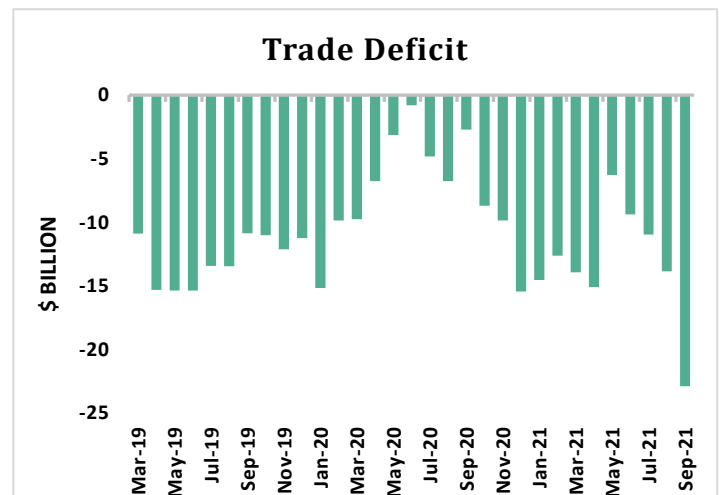
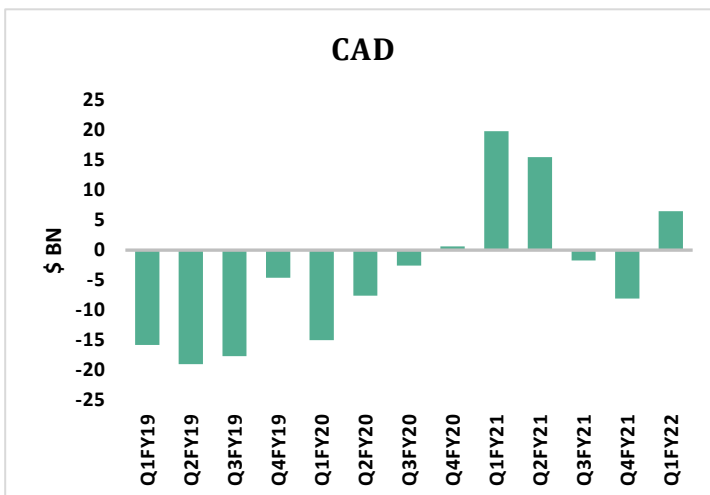
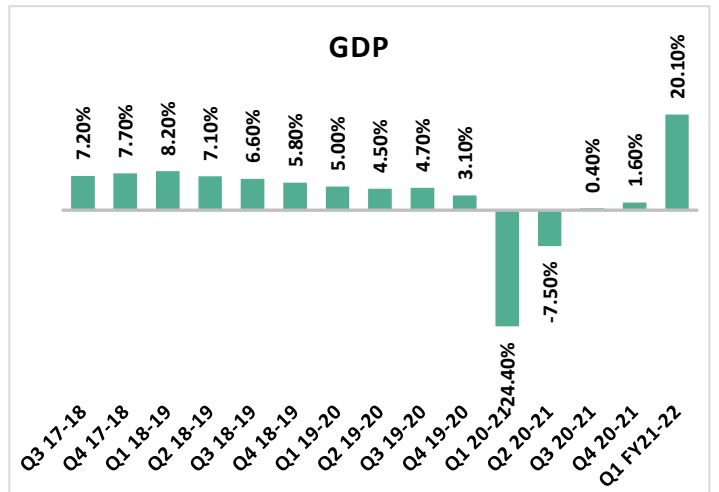
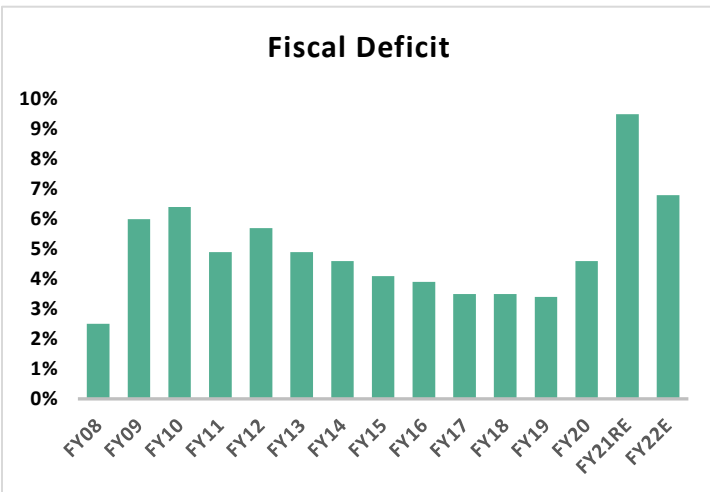
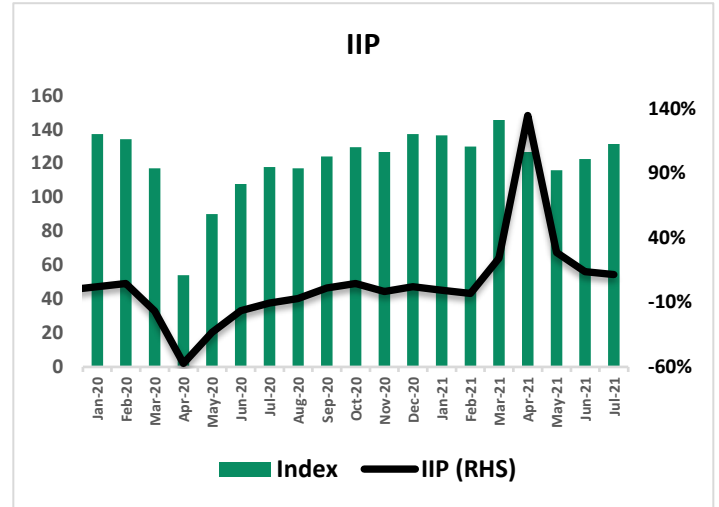
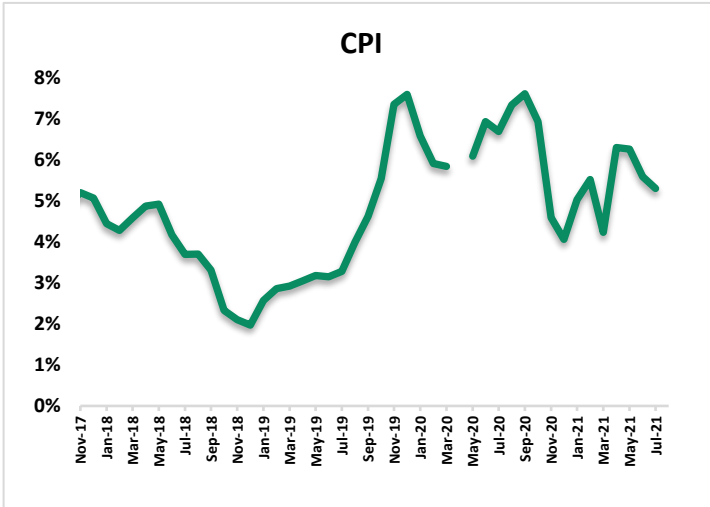
Natco Pharma

Vertically integrated pharmaceutical company with presence across geographies - India, US and ROW. Strong brand position in domestic pharma segments. Well established player in oncology with brands catering to diseases including breast, bone, lung and ovarian cancer. Growing presence in Cardio and Diabetes products. Three key business segments: Oncology, Specialty Pharma, Cardiology and Diabetology. Filed 6 products with regulatory authorities for China market. API-39 active DMFs in the US with niche products under development. Portfolio of well recognized brands – 7 brands with INR 100mn+ sales in the oncology segment. Widened its oncology product range from 6 in 2003-04 to 38 in 2020-21

DFM Foods

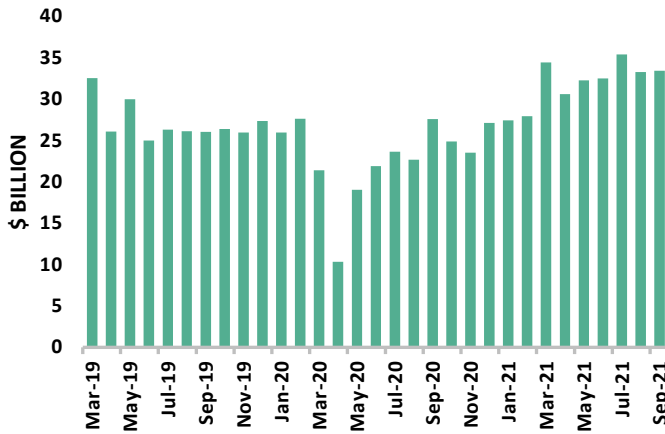
DFM is the market leader in extruded snacks segment in the country. Manufactures, markets, and sells packaged snack foods in India. Its products include corn rings, corn puffs, wheat puffs, cheese balls, corn and potato sticks, and namkeens. The company sells its products under the CRAX, CURLS, NATKHAT, and FRITTS brands. There is huge headroom to grow as company is focusing on strengthening its current product portfolio in existing geographies, expansion into new geographies, investment in brand through increased advertising and visibility and building larger pack portfolio.

Macro Data – India

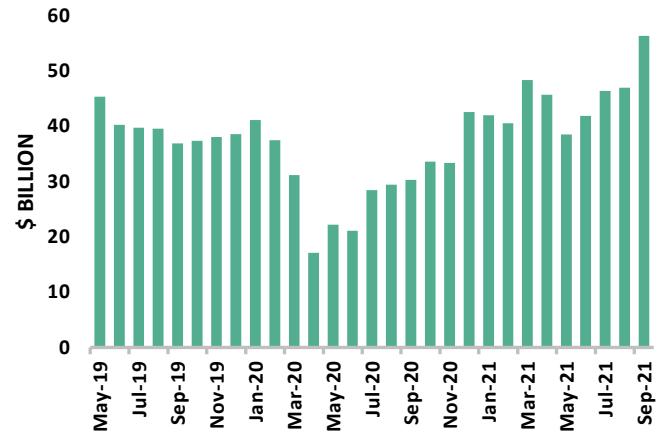


PMS - Indinomics

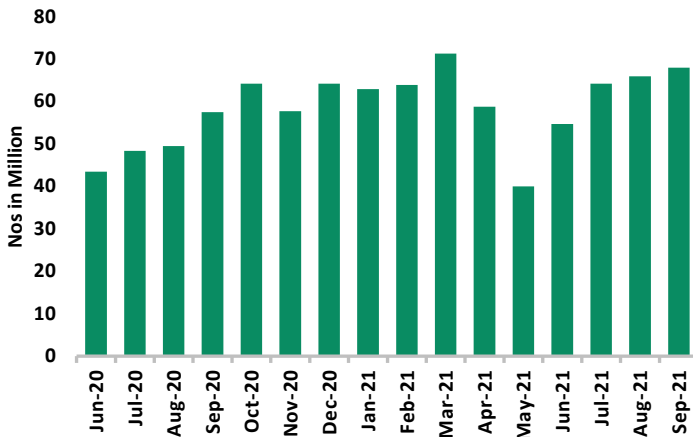
Exports



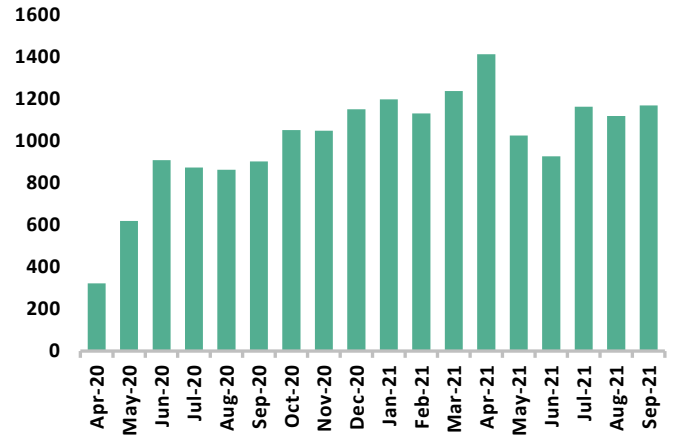
Imports



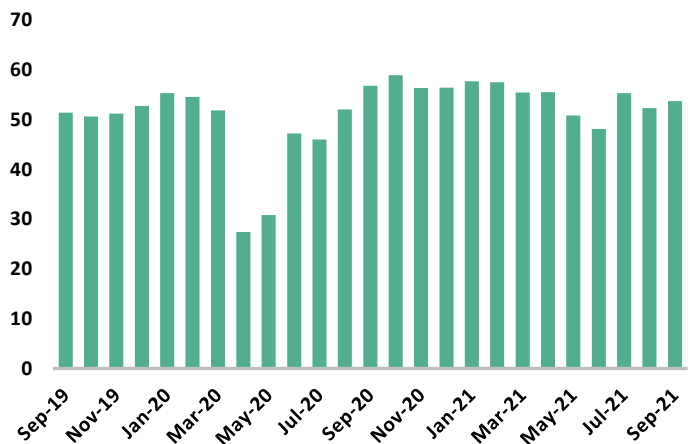
E Way Bill



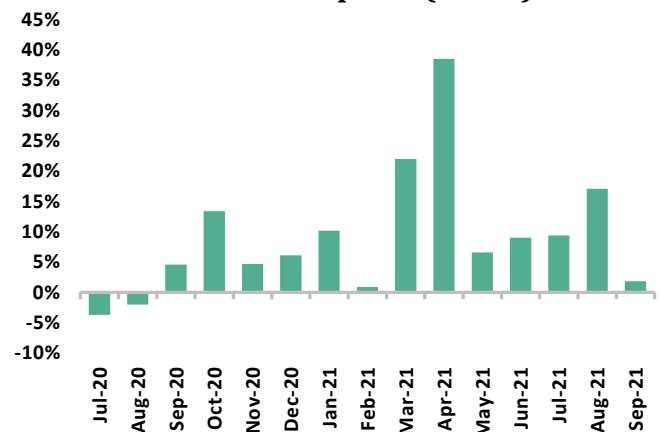
GST Collection (Rs Bn)



Manufacturing PMI



Power Consumption (YoY%)



HEAD OFFICE:

5F, Vaibhav, 4Lee Road, Kolkata -700020, India

Telephone: +91 33 30515400 | Cell: +91 98369 66900 | Fax: +91 33 2289 3401 | Email ID: pms@smifs.com

Disclaimer:

Any document, including this report, which is prepared by the research team of SMIFS is circulated for the purpose of information only to the intended recipient and should not be replicated or quoted or circulated to any person/corporate or legal entities in any form. This document/ documents/ reports/ opinion should not be interpreted as an investment/ taxation/ legal advice. While the information contained in the report has been procured in good health, from sources considered/ believed to be reliable, all/ part of the statement/ statements/ opinion/ opinions/ view/views in the report may not be considered to be complete or accurate. Therefore, it should only be relied upon at the recipients own risk.

Research Analysts/ Economists/ Advisors/ Investment Strategies or any other spokespersons of the company (SMIFS) are often sought after for expressing their views on print/ electronic/ web media. The views expressed are purely based on their assumption/ understanding on fundamental approach/ technical and historic facts on the subject. The views expressed should not be constructed as an offer to buy/ sell or hold equity/ commodity/ currencies or their derivatives. The views/ opinions expressed is for information purpose only, and may change due to underlying factor, related or unrelated or other market conditions and may or may not be updated.

SMIFS, its subsidiaries, or any of its directors, employees, agents, and representatives shall not be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information/ research reports/ opinions expressed.

Disclosure: Clients/ associates of SMIFS Group may be holding positions in equities or their derivatives on which the research report is made or opinion is formed or views are expressed in print or electronic media. We ensure all compliance is adhered to with this report/ reports/ opinion or views expressed.

Analyst ownership of the stock- NIL

Analyst's dependent relatives' ownership in the stock- NIL

Analyst Certification: *The matter related to the report has been taken from sources believed reliable and the views expressed about the subject or issues in this report accurately reflect the personal views of the analyst/analysts. SMIFS does not compensate partly or in full, directly or indirectly, related to specific recommendations or views expressed by the research analysts'/market strategies/ Portfolio Managers.*

REGISTRATION as required under SEBI (Research Analyst) Regulation 2014 has been granted by Securities & Exchange Board of India (SEBI), registration number being INH300001474.

SMIFS Limited.

Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.

Tel.: +91 33 6634 5408, / Fax: 91 33 22893401

Website: www.smifs.com

For queries related to compliance of the report, please contact:

Sudipto Datta, Compliance Officer

Contact No.: +91 33 66345414 | 4011 5414

Email Id.: compliance@smifs.com | sudipta@smifs.com