

# Portfolio Management Services

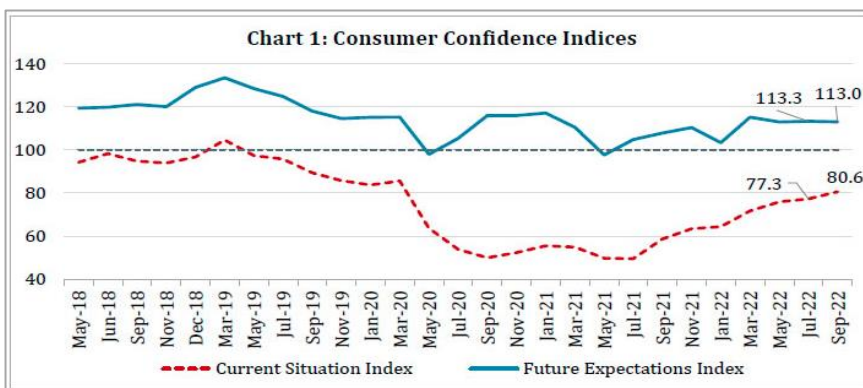
October 12, 2022



For the month of September equity markets globally corrected, as the nervousness of and over-aggressive central bank going overboard to curb inflation led to speculation of a possible recession in some of the developed countries. Most global markets lost anywhere between 2 to 10% during the month. Among the sectoral indices pharma was the only sector which logged in gains while reality was the worst performing. Natural gas and crude corrected substantially from higher levels while base metals saw some recovery. On the currency front most currencies lost ground against the US dollar as the dollar index strengthened further. As the US pressed the interest rate button most 10 year government securities also lost some ground.

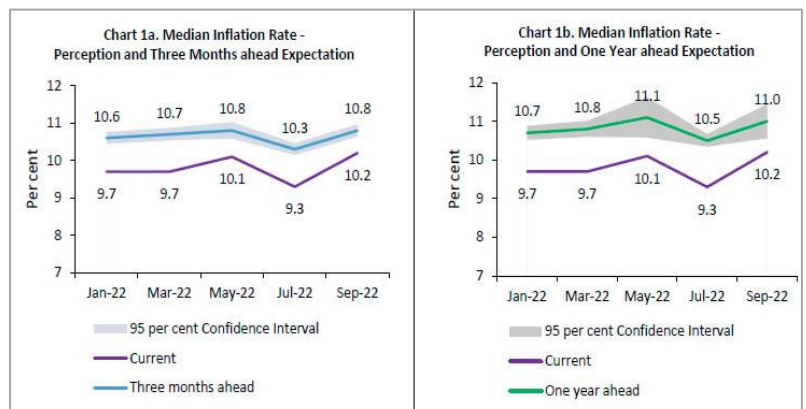
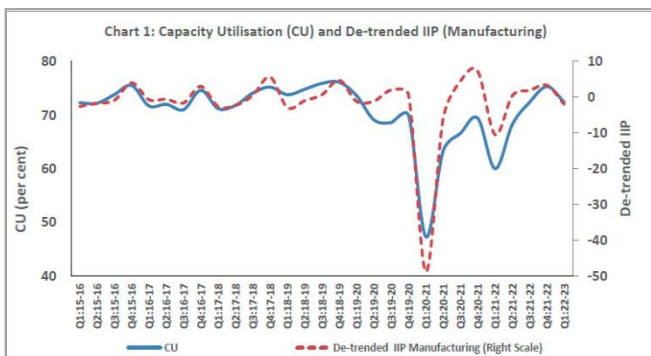
Consumer confidence has been on recovery path since July 2021 after the impact of the COVID-19 pandemic waned; though the current situation index remained in negative terrain, it improved in the latest survey round on the back of better sentiments on general economic situation and spending. Households expressed pessimism on their current income but a majority of them expect higher income over the next one year. Most households reported higher current spending, which was mainly driven by essential spending; nearly three-fourths of the respondents expect further rise in overall spending over the next one year and another 20 per cent expect it to remain around the prevailing levels.

**Both the schemes ended the month with losses of ~ 0.2-1.8% while still outperforming the broader indices and their respective benchmarks by ~ 170-350 bps and 80-175 bps respectively.**



Households' median inflation perceptions for the current period increased by 90 basis points (bps) since July 2022 to 10.2 per cent in September 2022, while it rose by 50 bps each for both three months and one year ahead. Overall prices and inflation expectations for three months ahead period were generally aligned with food products, non-food products and cost of services, while they were more aligned with non-food products and cost of services for the longer horizon of one year.

At the aggregate level, the capacity utilisation for the manufacturing sector recorded seasonal decline to 72.4 per cent in Q1:2022-23 from 75.3 per cent in the previous quarter. The seasonally adjusted CU increased to 74.3 per cent in Q1:2022-23 from 73.0 per cent in Q4:2021-22.



Business conditions in the manufacturing sector moved further on the recovery path during Q2:2022-23 as the impact of the COVID-19 pandemic ebbed further; respondents maintained positive assessment for production, order books, capacity utilisation,

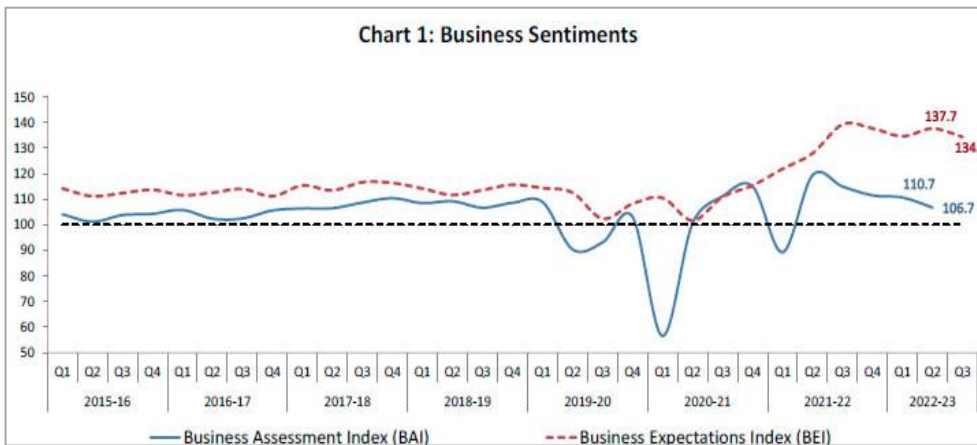
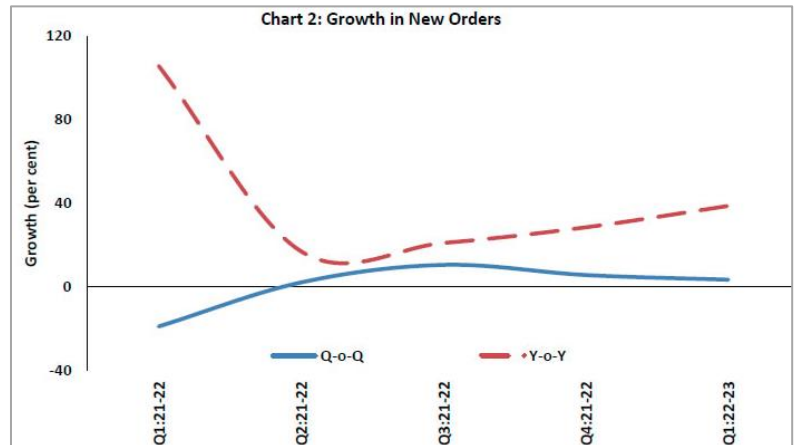
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employment and foreign trade situations. Overall, business sentiments in the manufacturing sector remained positive, albeit with some moderation; the business assessment index stood at 106.7 in Q2:2022-23 as compared with 110.7 in the previous quarter.

Manufacturers remained optimistic on demand conditions during Q3:2022-23, though it waned marginally, as reflected in their expectations on production, order books and employment. Pressures from purchase of raw materials and staff cost are likely to soften during Q3:2022-23. Selling prices and profit margins are expected to rise further; lower share of respondents expect further rise in selling prices as well as rise in profit margins during the ensuing quarter vis-à-vis the survey round. Overall, manufacturers remained optimistic about business conditions: the business expectations index remained high at 134.4 in Q3:2022-23 though it moderated marginally from 137.7 in the previous quarter. Manufacturers are optimistic on demand conditions, employment situation and overall business scenario till Q1:2023-24. Manufacturers expect sustained input cost pressures and selling price rise till first quarter of the next financial year.



India is placed in a sweet spot, within this global rout, while short term headwinds, emanating from geopolitical events or the FED going overboard, are issues that might derail equity markets in the short term, the long term trajectory seems firmly placed for the country, to login continuous growth over the next decade gaining on the demographic advantage and reinforced focus on atmanirbharta, with a rising middle-class propelling the country to a higher

orbit. India is expected to become a \$5 trillion economy by 2026-27 and \$10 trillion by 2033-34. This means that if the Indian economy would grow as expected to \$10 trillion by 2034, the total stock market capitalisation should also grow approximately to \$8 trillion, i.e. over 2.5x from current levels. We remain optimistic about the prospects of the Indian economy and the equity markets, with minor corrections here and there, and recommend to stay invested.

*"When the market is so bad that you think it is obvious that you should be net short, that's typically the time when it is all in the price and you should be buying" --- Martin Taylor*

**Sharad Avasthi**

Vice President – PCG, SMIFS Ltd.

## EVERGREEN

### ❖ Investment Objective

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

### ❖ Market Capitalization

	% Allocation
Largecap	43.45
Midcap	39.17
Smallcap	15.66

### ❖ Top 5 Holdings

Companies	% Allocation
HDFC Bank Ltd	10.4
Bharti Airtel Ltd	9.0
Tata Motors Ltd	8.8
Mrs. Bectors Food Specialities Ltd	5.9
State Bank of India	5.7

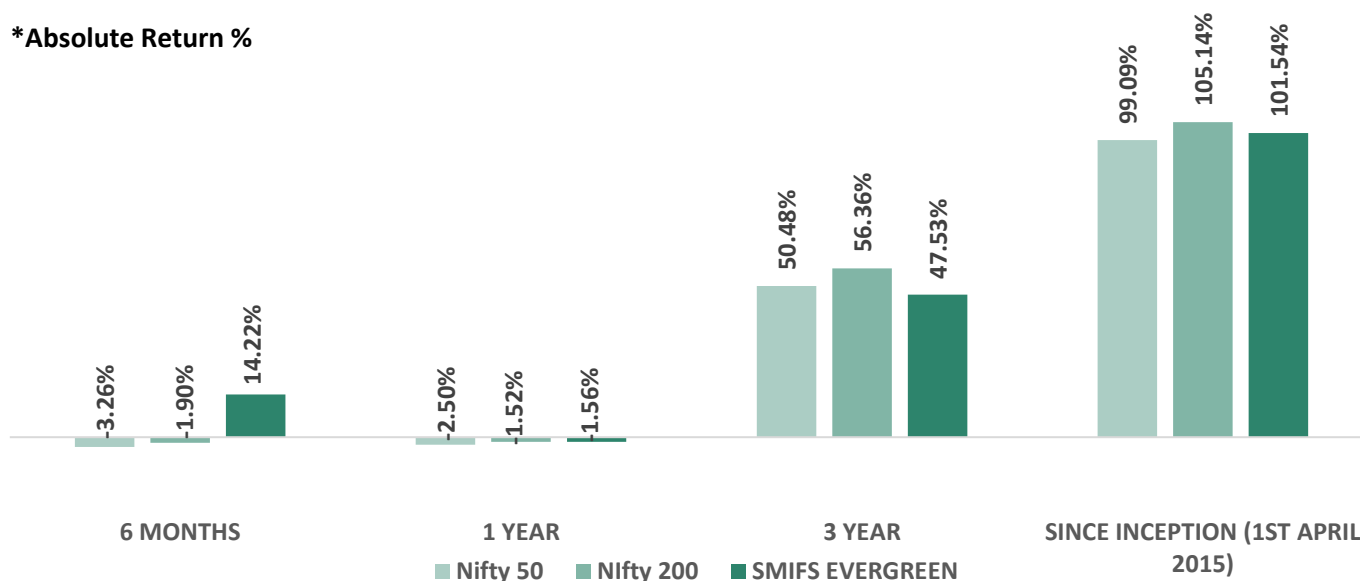
### ❖ Details

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

### ❖ Top 3 Sectors

Sector	% Allocation
BFSI	20.7
Automobile	11.8
E comm	10.8

### ❖ \*Absolute Return %



\*Scheme returns are after management fees

## Evergreen

### HDFC Bank Ltd

The largest private sector bank in India with a share of around 9% and 10% in system deposits and advances, respectively. The bank is a market leader in non-mortgage retail asset segments such as commercial vehicles and car financing. It has also been expanding its geographical reach over the past few years; and has set up new branches primarily in semi-urban and rural areas. The bank is present in the broking business via HDFC Securities Ltd, which also operates as a third-party distributor of mutual fund products, insurance, initial public offerings, fixed deposits, bonds and non-convertible debentures. HDB Financial Services Ltd is a non-deposit-taking non-banking financial company, offering loans against property, commercial vehicle and construction equipment loans, and small and medium-sized enterprises financing. The amalgamation with HDFC Ltd would lead to further strengthening of the market position of the Bank, wherein the total advances for the combined entity would be Rs 17.87 lakh crore as against standalone advances of Rs 12.68 lakh crores. The ability to directly undertake the home loan business would also enhance the retail product offering of the bank. Moreover, with a sizable secured retail loan book coming in, the share of retail (and within that secured) segment in the overall advances of the bank would increase, retail advances form 39% of net advances, which would be higher at 54% for the merged entity as on same date. In turn, the portfolio of HDFC will enjoy better spreads aided by lower cost of borrowings of the bank. Further, onboarding the strong customer base of HDFC would provide cross sell opportunities with a much more comprehensive product suit to an enhanced customer base.

### Bharti Airtel Ltd

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.

### Tata Motors Ltd

Tata Motors offers a wide and diverse portfolio of cars, sports utility vehicles, trucks, buses and defence vehicles to the world. It has operations in India, the UK, South Korea, South Africa, China, Brazil, Austria and Slovakia through a strong global network of subsidiaries, associate companies and Joint Ventures (JVs), including Jaguar Land Rover in the UK and Tata Daewoo in South Korea. It is the leading player in the CV segment, with a market share of 43.0% during FY20. Both Tata Motors and JLR are working towards their electrification journey. Today, Tata Motors is the leader in the EV segment in India with its automobiles Tigor EV and Nexon EV. It managed to sell 2,600 units of its EVs in 2020 which translated into a 63% market share. The Group owns 10 manufacturing facilities in India, 5 in UK, 2 in Europe, and has also set up a manufacturing facility in China in a Joint Venture with Chery Automobiles. It also operates various R&D centres from UK, North America, Europe and India.

### Mrs. Bectors Food Specialities Ltd

Mrs. Bectors Food Specialities Ltd manufactures biscuits and bakery products that are marketed under Mrs. Bector's Cremica and Mrs. Bector's English Oven brands, respectively. The Company is one of the leading companies in the non-glucose biscuits and premium bread segment in North India, and is one of the two key vendors, in India, working with institutions for the supply of processed and semi-processed dough-based offerings. It is also one of the leading biscuit brands in the premium and mid-premium segment in Punjab, Himachal Pradesh, Jammu and Kashmir, and Ladakh, and 'English Oven' is one of the largest selling brands in the premium bakery segment in Delhi NCR, Mumbai and Bengaluru. It is the sole/preferred supplier to some of the leading international QSRs such as McDonald's, KFC [11] multiplex chains such as PVR Limited, and cloud kitchens such as Rebel Foods Private Limited for burger buns, muffins, garlic bread, and other bakery products. 4.5% of the premium and mid-premium biscuits market in North India. ~12% share of the total exports of biscuits from India - Exports to 63 countries. 5% market share in the Branded Breads Segment in India. 11% market share in semi processed and dough-based offerings. Launched new products such as 'Trufills', 'Premium Sugar and Classic Crackers', 'Pista Almond Cookies', 'Non-Stop Potato Crackers' etc.

## State Bank of India Ltd

State Bank of India is a Fortune 500 company. The largest and oldest bank in India with over 200 years of history. The bank operates a network of 22,330 branches and ~58,000 ATMs across India. It also operates ~71,000 business correspondent outlets across India. The bank has a market share of 22.84% in deposits and 19.69% share in advances in India. It has a strong customer base of ~45 crore customers. Retail loans account for 39% of the loan book, followed by corporate (37%), SME (14%) and Agriculture (10%). The bank owns various subsidiaries which are engaged in related business activities:- 1. SBI Capital Markets Ltd (100% stake) - SBICAP is a leading investment banker, offering investment banking and corporate advisory services to clients, This company further has wholly owned subsidiaries in related businesses viz. SBICAP Securities, SBICAP Trustee Co., SBICAP Ventures & others. 2. SBI DHFI Ltd (72% stake) - It is a primary dealer and supports the book building process and provide depth and liquidity to secondary markets in G-Sec. 3. SBI Cards and Payment Services Ltd (69% stake) - It is a non-banking financial company that offers extensive credit card portfolio to individual cardholders and corporate clients. 4. SBI Life Insurance Co. Ltd (57.6% stake) - It is one of the leading life insurance company in India which offers a wide range of individual and group insurance solutions that meet various life stage needs of customers. 5. SBI Funds Management Pvt Ltd (63% stake) - It is a JV between SBI and AMUNDI (France). It is an asset management company with the fastest CAGR of 33% as against industrial average of 14% in the last 3 years. 6. SBI General Insurance Company Ltd (70% stake) - It is a general insurance company which focuses on profitable growth in banc-assurance channel along with other distribution channels and line of businesses. It is first non-life insurance company in India to cross 6,000 crores in a decade of operations.

## HARVEST

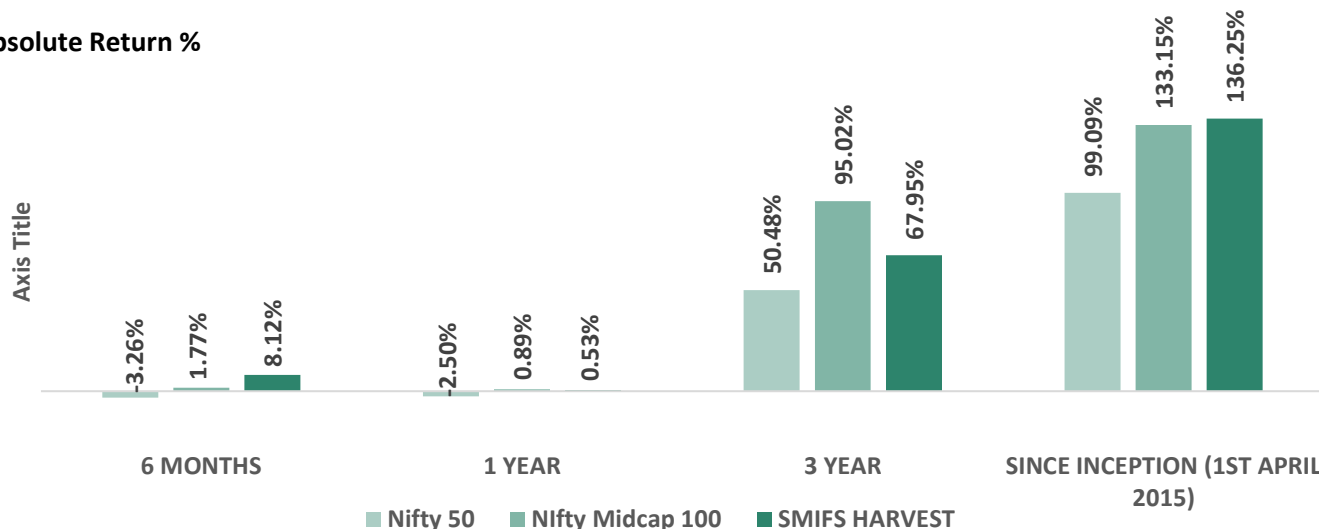
### ❖ Investment Objective

SMIFS HARVEST	
<b>Investment Philosophy</b>	To invest in companies considering calculated risk to achieve significant growth
<b>Risk Appetite</b>	Moderate
<b>Strategy</b>	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
<b>Investment timeframe</b>	Medium to long term, from 6-18 months. Expect some churn arising out of investment review
<b>Sectoral Bias</b>	Focus on high growth sectors in India
<b>Maximum Weightage</b>	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	42.60
Smallcap	54.05

### ❖ Top 5 Holdings

Companies	% Allocation
Apl Apollo Tubes Ltd.	7.8
India Pesticides Ltd.	7.2
Voltas Ltd.	6.6
Healthcare Global Enterprises Ltd.	6.1
Alicon Castalloy Ltd.	5.8

### ❖ Top 3 Sectors

Sector	% Allocation
BFSI	13.1
Iron & Steel	12.4
IT	11.0

\*Scheme returns are after management fees



## Harvest

### APL Apollo Tubes Ltd

APL Apollo Tubes Limited is one of India's leading branded steel products manufacturers. Headquartered at Delhi NCR, the Company runs 10 manufacturing facilities churning out over 1,500 varieties of MS Black Pipes, Galvanised Tubes, Pre-Galvanised Tubes, Structural ERW Steel Tubes and Hollow Sections to serve industry applications like urban infrastructures, housing, irrigation, solar plants, greenhouses and engineering. The company has well diversified operations with product portfolio comprising of 4 primary products with different specification as per the customer need in each primary product category.

The categories are Apollo structural (63% of revenues), Apollo Z (18%), Apollo Tricoat (15%) & Apollo Galv (4%). The products find their use in buildings, houses, warehouses, factories, skyscrapers & industrial & agricultural activities. The company is the dominating player in the domestic market of steel construction pipes and presently commands a 50% market share in the same. Company has an established pan-India distribution network consisting of 800+ distributors & 50,000+ retailers & fabricators with a presence across 300 towns and cities across the country. Company seeks heavy growth opportunities in 4 areas - skyscrapers, infrastructure, airports & warehousing.

### India Pesticides Ltd

India Pesticides Limited is one of the globally operating agro-chemical manufacturers, 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.

### Voltas Ltd

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

### Healthcare Global Enterprises Ltd

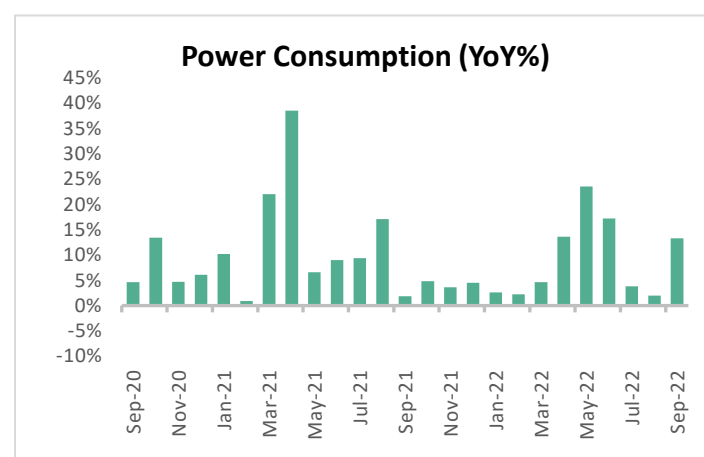
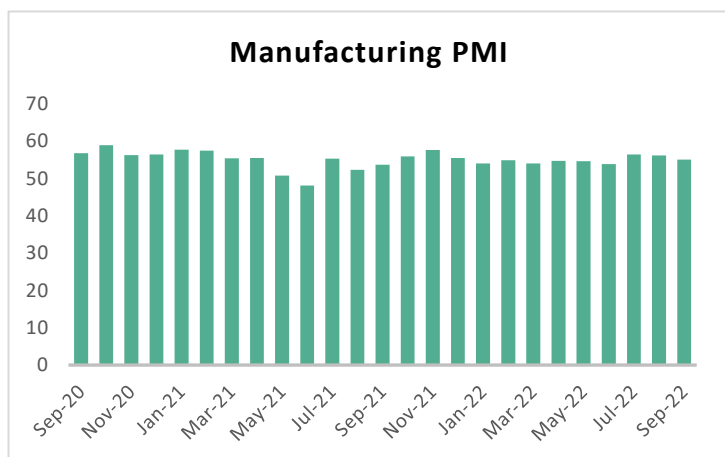
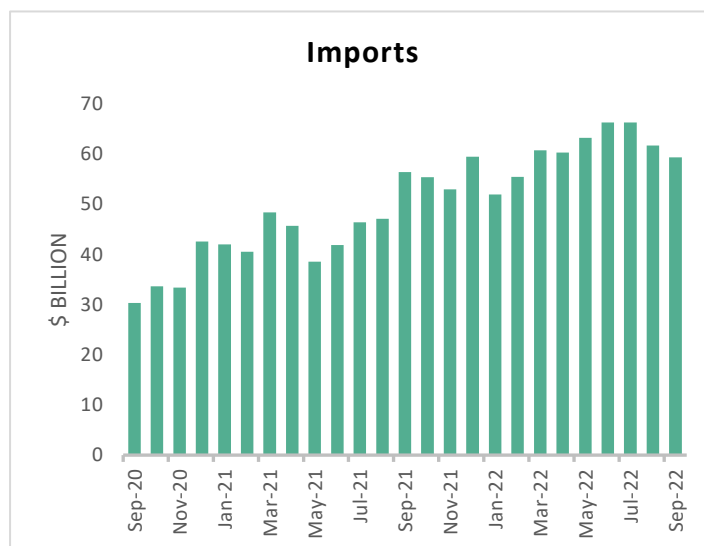
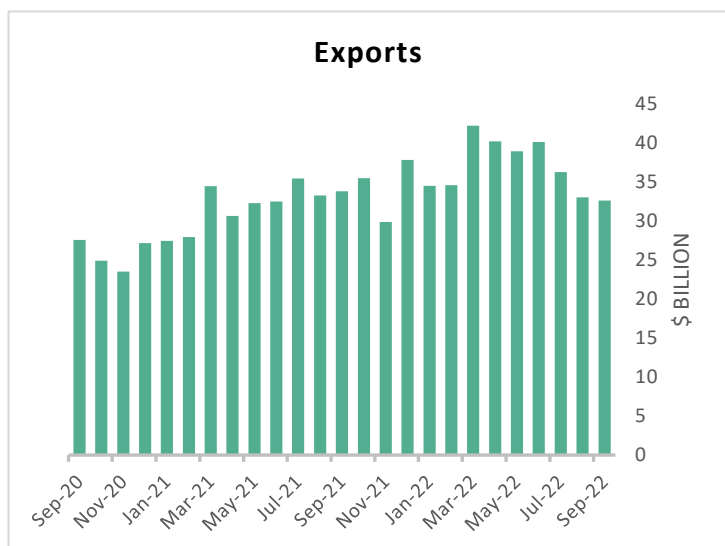
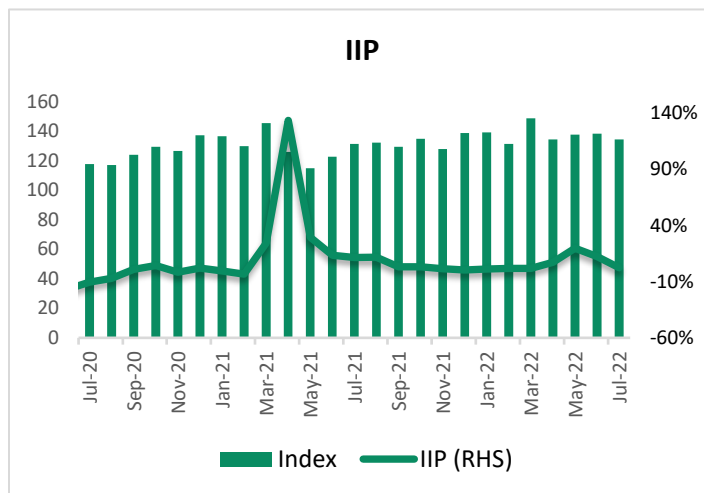
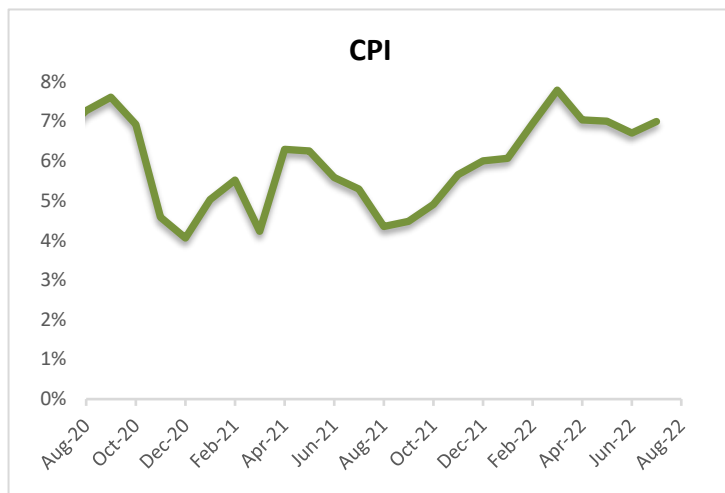
Healthcare Global Enterprises Ltd is engaged in setting up and managing hospitals and medical diagnostic services including scientific testing and consultancy services in the pharmaceutical and medical sector. The company has presence across the oncology value chain, offering services for prevention, screening, diagnosis and treatment to rehabilitation, supportive care and palliative care. the company operates 21 comprehensive cancer centers across 9 states in India. Its network also includes a cancer center in Kenya (Africa). It has a capacity of ~2,000 beds across its healthcare centers and multi-specialty hospitals.

### Alicon Castalloy Ltd

Alicon Castalloy manufactures aluminium castings including cylinder heads, support brackets, intake manifolds, crankshafts, and engine brackets for the auto industry. It has a presence in 18 countries and is a part of Alicon Group. Co. operates one of the largest Aluminum foundries in India It is one of the leaders for processing of Low Pressure Die Casting (LPDC) and Gravity Die Casting (GDC) And for development of Pro-Cast and Magma space in India. Castings made from aluminium alloys (91%): Casting alloys are mostly used for intake manifolds, cylinder heads, transmission housings, engine blocks, wheel Rims, etc. The company has 4 plants, 3 in India and 1 in Slovakia. ACL has 2 manufacturing units in Pune (Maharashtra) and 1 in Binola (Haryana). The operations of the Company are supported by a state-of-the-art technology centre developed in Slovakia. ACL is planning to diversify its business into non-Auto segments viz. Infrastructure, Aeronautics, Defence and Agriculture.

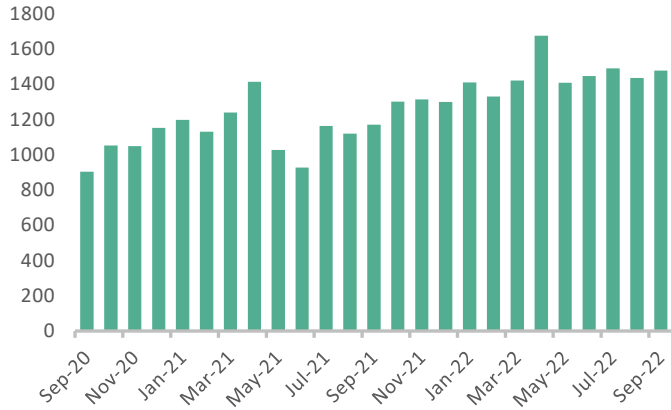
# PMS - Indinomics

## Macro Data – India

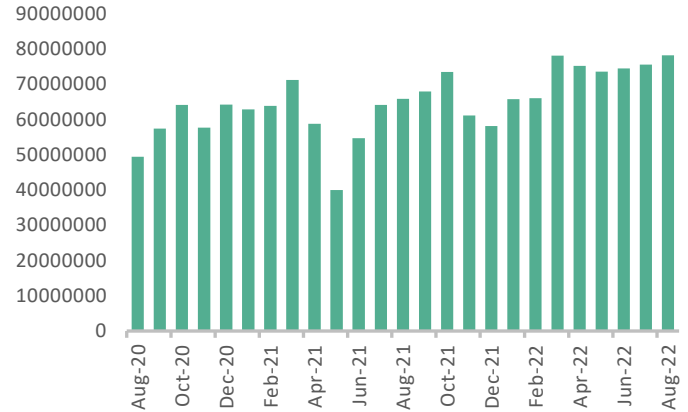




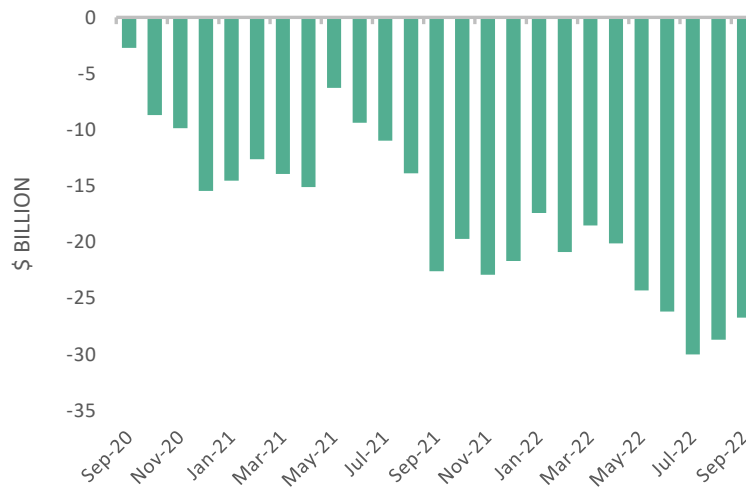
### GST Collection (Rs Bn)



### E Way Bill



### Trade Deficit



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