



PGIM

India Portfolio
Management Services

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Strong portfolio.

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PGIM INDIA

CORE EQUITY PORTFOLIO STRATEGY





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From the desk of the Portfolio Manager for PGIM India Core Equity Portfolio Strategy

Dear Investor,

In this newsletter, we wish to discuss and reflect on the quarterly results of a few companies we have in the portfolio.

Q2 FY 20 performance of companies in the portfolio

Company	Q1 FY2019				Q1 FY 2020				Growth				Sectors
	Revenue/ NII	EBITDA/ PPoP	PAT	EPS	Revenue/ NII	EBITDA/ PPoP	PAT	EPS	Revenue/ NII	EBITDA/ PPoP	PAT	EPS	
Rallis	654	123	85	4.39	749	119	80	4.15	15%	-4%	-6%	-5%	Agrochemicals
PI Industries	723	135	95	6.87	907	193	123	8.94	26%	43%	30%	30%	Agrochemicals
Castrol	927	227	150	1.52	849	245	188	1.90	-8%	8%	25%	25%	Auto
BOSCH	3165	597	420	138.00	2313	337	98	33.30	-27%	-44%	-77%	-76%	Auto
State Bank of India	20906	13905	945	1.07	24600	18199	3012	3.40	18%	31%	219%	218%	Banks
Bank of Baroda	4493	3082	425	1.60	7028	5336	737	2.00	56%	73%	73%	25%	Banks
Cummins	1486.9	250.9	211.6	7.6	1308.4	152.5	183.3	6.6	-12%	-39%	-13%	-13%	Capital Goods
Thermax Ltd	1428	110	75	6.60	1606	130	26	2.30	12%	18%	-66%	-65%	Capital Goods
GE Power Ltd.	563	73	5	0.77	519	61	-22	-3.32	-8%	-16%	-529%	-531%	Capital Goods
Bharat Electronics Limited	3,381	861	571	2.34	2,743	549	339	1.39	-19%	-36%	-41%	-41%	Capital Goods
Coal India Ltd	20713	2429	3086	5.00	18987	2215	3523	5.70	-8%	-9%	14%	14%	Commodities
ITC Ltd	11068	4206	2955	2.40	11654	4562	4023	3.30	5%	8%	36%	38%	Consumer
Engineers India	690	95	96	1.52	730	109	67	1.05	6%	15%	-31%	-31%	Engineering Services
MCX	93	45	36	7.00	145	92	72	14.10	55%	103%	100%	101%	Exchanges
Infosys limited	20,609	5,357	4,110	9.44	22,629	5,639	4,037	9.44	10%	5%	-2%	0%	IT
Oracle Financial Services	1213.3	498.8	352.0	40.9	1162.5	518.4	358.8	41.7	-4%	4%	2%	2%	IT
Container Corporation	1722.3	404.2	336.1	5.50	1738.1	425.5	-322	-5.30	1%	5%	-196%	-196%	Logistics
Divis Laboratories	1285	514	344	13.00	1404	485	340	12.80	9%	-6%	-1%	-2%	Pharmaceuticals
Cipla	4,012	702	367	4.67	4,396	910	475	5.84	10%	30%	29%	25%	Pharmaceuticals
Sanofi India Ltd	743.8	187.3	119.2	51.80	779.1	175.5	126.6	55.00	5%	-6%	6%	6%	Pharmaceuticals
Jagran Prakashan	553	100	42	1.40	515	90	122	4.10	-7%	-10%	190%	193%	Print Media
Great Eastern Shipping	799.5	253.0	-223.8	-14.8	817.6	319.6	-18.9	-1.3	2%	26%	92%	91%	Shipping
Indraprastha Gas Ltd.	1422	308	187	2.70	1693	393	299	4.30	19%	27%	60%	59%	Utilities
Power Grid	8538	7225	2341	4.49	9051	7921	2551	4.92	6%	10%	9%	10%	Utilities

Source of data: Company fillings

** Bank of Baroda Q1 2018 numbers are pre-merger numbers

If we look at the portfolio there are three sets of companies:-

- 1. Popular Stocks:-** Set of companies which are doing well and market is rewarding these companies. PI Industries, MCX, Divi's Lab., Sanofi, MCX, Infosys and IGL are part of this bucket. For this set of companies we have been booking profits and reducing weightage.
- 2. Out of favour stocks:-** Set of the companies which are doing well but market is not ready to reward these companies. Power Grid, ITC, SBI, EIL and BEL are part of this bucket. For this set of companies the approach is to increase weightage whenever there is a fall in the stock price.
- 3. Companies which are operating in a tough environment:-** Set of companies which are facing temporary headwinds and near term results are expected to be volatile and the stocks are cheap. Jagran Prakashan, Bosch, Coal India, Cummins India and Great Eastern Shipping are part of this bucket. For companies in this set we keep on evaluating the performance and if we find that their competitive advantage is not reducing and if the stock remains cheap we generally increase the weightage.

Most of the companies which are new to the portfolio come from set 2 and 3.

Results in a nutshell

Agriculture:

We have two companies in the portfolio Rallis and PI Industries. Revenue growth was led by growth in exports. We expect Rabi crop to be better because of healthy water level in the reservoirs.



Automobiles:

We have two companies in the automobiles space Bosch and Castrol. Slowdown in automobiles have impacted their performance and we expect for next two quarters subdued performance led by slowdown in automobiles space. We prefer auto ancillary companies to automobile manufacturers because of uncertainty in long term on which OEM's model will gain market share in the future and low proportion of revenues from aftermarkets. We continue to evaluate for new opportunities in the automobiles space.

Banks:

We have State Bank of India and Bank of Baroda in the portfolio. The results are getting better for both of them and we continue to believe the worst of NPA cycle is over for both of them. We had bought both of them because of cheap valuations and our expectations of improvement in their stress book and NPA's over time. Overall we remain cautious on the banking sector. The slow growth in the economy will lead to lower growth in credit requirements across the board and increased competition in financial services will impact the performance of financial institutions over the longer term leading to compression in valuation multiples-remains our base hypothesis and we stick to it.

Capital Goods:

The results were not encouraging for capital good companies. Cummins was most severely impacted by the slowdown in both domestic and international markets. BEL was impacted by the slow ramp up in new projects and higher base of last year because of Electronic Voting Machine. The order book for BEL is at an all time high of approx. Rs56000 cr. Management of BEL has guided for 12 to 15% growth in FY 20.

Commodities:

We have Coal India Limited in the portfolio and prolonged and heavy rain impacted the operations of the company in the quarter leading to lower volumes offtake in the current quarter. We expect from Q3 FY20 the results to get better and coal production to ramp up.

Consumer:

We have ITC in the portfolio and the results were around expected lines. ITC is one of the cheapest large cap consumer focussed stocks and we remain confident that the new business in FMCG will keep on growing at decent rate and profitability will also improve year from here on. ITC has invested heavily in the hotels business and we expect the hotels cycle to become more favourable and the profitability of the hotels business to also improve from here on. Currently the stock trades at one of the cheapest valuations in last 10 yrs and because of our expectation of improved profitability in other businesses than cigarette, ITC has one of the highest weightage in the portfolio.

Engineering Services:

We have Engineers India Limited in the portfolio and the results were in line with our expectations. The order book for EIL at the end of quarter is approx. Rs 10700cr.

Exchange Services:

We have MCX which has dominant position in the commodities exchange and the increased volatility in gold and crude led to 40% increase in the volumes. Resulting in high growth in revenue and EBITDA.

IT services:

We have two companies in the portfolio from IT sector: Oracle Financial Services and Infosys. For Oracle the results were weak and new license signing was weak. Management expects it to be a one quarter phenomenon and new license signing will start showing growth from the next quarter.

Logistics:

Slowdown in economic growth has led to slower growth in volume for both Concor in both domestic business and exim business. We continue to hold the stock with the thesis that over the longer term railways will gain market share from road in goods transportation. Concor being market leader in container transportation through rail network, should benefit from this change.

Print Media:

The slowdown in economy has led to fall in the advertisement revenue in both radio and print media, resulting in fall in revenue. Jagran Prakashan has announced a board meeting to consider buyback. We will decide what to do once the price and process of buyback is decided.

Shipping:

Result for GE Shipping are better than last year and we expect the result to get better in the coming quarters because of improvement in tanker rates in comparison to last year. Company has completed the buyback and has bought back 38,10,581 shares.

Utilities:

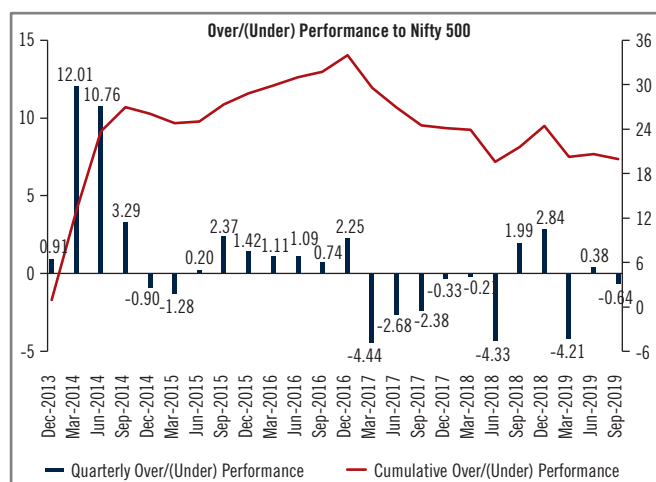
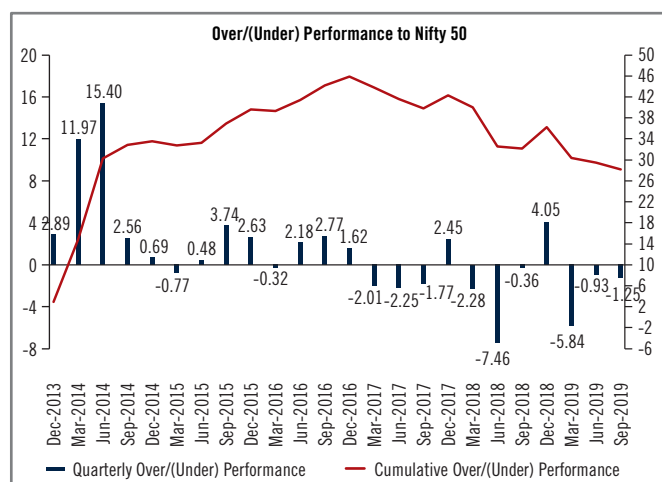
Results of both Indraprastha Gas and Power Grid were in line with expectations and we expect the performance to continue in the near future.

Yours Sincerely,



PGIM INDIA CORE EQUITY PORTFOLIO STRATEGY

KEY PORTFOLIO PERFORMANCE INDICATORS



Performance depicted as at the above stated date is based on all the client portfolios under the Regular Portfolio of PGIM India Core Equity Portfolio Strategy existing as on such date, using Time Weighted Rate of Return (TWRR) of each client and then computing an arithmetic average for the overall strategy. Past performance may or may not be sustained in future.

Top 15 Holdings of PGIM India Core Equity Portfolio Strategy Discretionary Portfolio Regular Plan as on November 30th, 2019

Date of Purchase	Equity	Sector	%
Sep-2015	State Bank of India	Banking / Financial Services	6.20%
Feb-2018	Multi Commodity Exchange Of India Ltd	Other Financial Services	5.55%
Jul-2013	Container Corporation of India Ltd	Logistics	5.13%
May-2018	Bharat Electronics Ltd	Industrial Electronics	5.01%
Oct-2017	Power Grid Corporation Of India Ltd	Power- Transmission	4.71%
Jul-2013	Indraprastha Gas Ltd	City Gas Distribution	4.57%
Jun-2015	ITC Ltd	FMCG	4.48%
Aug-2013	Great Eastern Shipping Co Ltd	Shipping	4.14%
Mar-2015	Castrol India Ltd	Lubricants / oils	3.96%
Jan-2016	Oracle Financial Services Software Ltd	IT Services / Products	3.89%
Aug-2013	Cummins India Ltd	Engineering	3.43%
Aug-2018	Cipla Ltd	Pharmaceuticals	3.37%
Apr-2016	Sanofi India Ltd	Pharmaceuticals	3.11%
Jul-2013	Bosch Ltd	Auto Ancillaries	3.09%
Jul-2013	Engineers India Ltd	Consulting	3.07%
	Total		63.71%

Model Portfolio Details

Portfolio Details as on November 30th, 2019	
Weighted average RoCE	23.75%
Portfolio PE (1-year forward) (Based on FY 20)	17.66
Portfolio dividend yield	1.48%
Average age of companies	60 Years

Portfolio Composition as on November 30th, 2019

Large Cap	33.50%
Mid Cap	25.00%
Small Cap	27.00%
Cash	14.50%

Large Cap: Market cap of the 100th company in the Nifty 500 (sorted by market cap in descending order) as on November 30th, 2019

Midcap: Market cap below 100th company to the market cap of the 250th company in the Nifty 500 (sorted by market cap in descending order) as on November 30th, 2019

Small Cap: Market cap lower than the 250th company in the nifty 500 (sorted by market cap in descending order) as on November 30th, 2019

The above holding represents top 15 holdings of PGIM India Core Equity Portfolio Strategy - Regular Portfolio based on all client portfolios existing as on the date stated above, excluding any temporary cash investments. The above holdings do not represent the model portfolio being offered to the clients (including prospective clients) and hence it is possible that these stocks may not be part of the portfolios constructed for new clients. The above holdings are for illustration purpose only and it should not be considered as investment recommendation or analysis or advice or opinion from the Portfolio Manager on the above mentioned stocks. The above portfolio holdings are provided on an "as is" basis, and the Portfolio Manager makes no express or implied warranties or representations with respect to the accuracy, completeness, reliability, or fitness of the above portfolio holdings or any financial results you may achieve from their use. In no event shall the Portfolio Manager, its directors or employees or its affiliates have any liability relating to the use of the portfolio holdings.



PGIM India Core Equity Portfolio Strategy Portfolio Performance as on November 30th, 2019

Period	Portfolio	NIFTY 50	NIFTY 500
1 Month	0.42%	2.28%	2.24%
3 Months	6.91%	10.12%	10.19%
6 Months	-1.57%	1.64%	0.58%
1 Year	3.44%	11.03%	8.06%
2 Years	-0.03%	7.87%	3.03%
3 Years	6.40%	13.99%	11.91%
5 Years	6.85%	7.02%	7.24%
Since Inception Date 08/07/2013	17.95%	11.92%	12.83%
Portfolio Turnover Ratio*	22.29%		

*Portfolio Turnover ratio for the period December 1st, 2018 to November 30th, 2019

Calendar Year Performance of PGIM India Core Equity Portfolio Strategy

Calendar Year	Portfolio Performance	Nifty 50	Nifty 500
08-07-2013 to 31-12-2013	13.79%	7.43%	8.36%
CY 2014	77.24%	31.39%	37.82%
CY 2015	2.48%	-4.06%	-0.72%
CY 2016	8.90%	3.01%	3.84%
CY 2017	24.56%	28.65%	35.91%
CY 2018	-2.98%	3.15%	-3.38%
CY 2019 till 30-11-2019	1.15%	9.34%	7.02%
08-07-2013 to 30-11-2019	17.95%	11.92%	12.83%

Important Disclosures regarding the consolidated portfolio performance: Performance depicted as at the above stated date is based on all the client portfolios under the Regular Portfolio of existing as on such date, using Time Weighted Rate of Return (TWRR) of each client and then computing an arithmetic average for the overall strategy. Past performance is no guarantee of future returns. The above portfolio performance is after charging of expenses (as depicted above). Return for period upto 1 year is absolute. Since inception date stated is considered to be the date on which the first client investment was made under the strategy. Please note that the actual performance for a client portfolio may vary due to factors such as expenses charged, timing of additional flows and redemption, individual client mandate, specific portfolio construction characteristics or other structural parameters. These factors may have impact on client portfolio performance and hence may vary significantly from the performance data depicted above. Neither the Portfolio Manager, nor its directors or employees shall in any way be liable for any variation noticed in the returns of individual client portfolios. The Portfolio Manager does not make any representation that any investor will or is likely to achieve profits or losses similar to those depicted above.

Investment objective of PGIM India Core Equity Portfolio Strategy: PGIM India Core Equity Portfolio Strategy seeks to generate returns by investing in a portfolio of value stocks which have the potential of wealth creation over long term.

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