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PGIM INDIA
PHOENIX STRATEGY





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Portfolio Manager

From the desk of the Portfolio Manager for PGIM India Phoenix Strategy

Dear Investor,

In this newsletter, we wish to discuss and reflect on the quarterly results of the companies we have in our portfolio across various themes we are playing.

Exhibit1: Q1 FY 20 performance of companies in the portfolio

Company	Q1 FY2019				Q1 FY 2020				Growth				Sector
	Revenue/ NII	EBITDA/ PPoP	PAT	EPS	Revenue/ NII	EBITDA/ PPoP	PAT	EPS	Revenue/ NII	EBITDA/ PPoP	PAT	EPS	
Bajaj Consumer Ltd	215.0	70.5	53.8	3.7	232.5	71.9	58.7	4.0	8%	2%	9%	9%	Consumer
Kewal Kiran Clothing	105.9	21.5	13.9	11.3	110.2	22.5	14.1	11.5	4%	5%	1%	2%	Consumer
DCB Bank Ltd	273.0	141.4	69.5	2.2	304.7	166.5	81.1	2.6	12%	18%	17%	18%	Banks
Federal Bank Ltd	980.1	602.9	262.7	1.3	1154.2	782.8	384.2	1.9	18%	30%	46%	45%	Banks
Oracle Financial Services	1344.9	624.5	401.9	46.8	1275.1	618.8	377.4	43.8	-5%	-1%	-6%	-6%	IT
Hexaware Technologies	1136.7	177.3	153.6	5.1	1308.9	194.3	151.3	5.0	15%	10%	-1%	-2%	IT
Mahanagar Gas	619.3	210.9	128.3	13.0	757.5	276.8	170.2	17.2	22%	31%	33%	32%	Utilities
D B Corp Ltd	632.4	168.0	97.6	5.3	607.0	175.0	93.7	5.4	-4%	4%	-4%	2%	Media
Dhanuka Products Ltd	213	15.9	16.2	3.3	219	20	14.8	3.1	3%	25.8%	-9%	-6%	Agrochemicals
Sobha Ltd	597.7	130.6	52.6	5.6	1176.7	227.5	90.6	9.6	97%	74%	72%	71%	Real Estate
Oberoi Realty Ltd	888.3	461.7	308.3	9.1	603.3	235.2	150.9	4.4	-32%	-49%	-51%	-52%	Real Estate
Prestige Estates Projects Ltd	861.3	256.2	33.5	0.9	1538.7	527.7	81.4	2.1	79%	106%	143%	133%	Real Estate
Kirloskar oil engine	812.0	82.0	50.0	3.4	756.0	73.0	44.0	3.1	-7%	-11%	-12%	-11%	Manufacturing
Kirloskar Brothers limited	456.1	22.6	18.1	2.3	472.7	19.9	6.4	0.8	4%	-12%	-65%	-64%	Manufacturing
Apar Industries Ltd	1495.6	109.1	29.0	7.6	1981.6	137.1	41.2	10.8	32%	26%	42%	42%	Manufacturing
Cummins India Ltd.	1328.0	214.7	183.0	6.6	1343.0	151.4	141.5	5.1	1%	-29%	-23%	-23%	Manufacturing
NOCIL	268.1	80.2	50.8	3.1	229.6	56.2	32.7	2.0	-14%	-30%	-36%	-35%	Manufacturing
Mayur Uniquoters	141.1	37.7	25.6	5.7	128.2	25.1	15.9	3.5	-9%	-33%	-38%	-38%	Manufacturing
Carborundum	634.3	107.5	62.9	3.3	671.4	95.2	52.8	2.9	6%	-11%	-16%	-14%	Manufacturing
CCL products	294.4	63.7	39.5	3.0	273.2	69.4	34.7	2.6	-7%	9%	-12%	-13%	Manufacturing
Ahluwalia Contracts (India) Ltd	407.0	52.6	28.2	4.2	316.8	39.2	17.8	2.7	-22%	-25%	-37%	-36%	Construction
Great Eastern Shipping Co Ltd	821.3	298.4	-244.3	-16.3	782.8	276.1	-53.8	-3.6	-5%	-7%	78%	78%	Shipping
Pokarna Ltd.	83.8	18.9	8.5	2.8	126.0	40.5	30.5	9.8	50%	114%	258%	257%	Exports
Himatsingka Seide Ltd	582.6	115.5	44.6	4.5	639.5	138.1	45.3	4.6	10%	20%	2%	2%	Exports
JB Chemicals & Pharmaceuticals Ltd	406.9	80.8	45.6	5.5	446.1	96.0	62.0	7.7	10%	19%	36%	42%	Pharmaceuticals
ONGC Ltd	27212.0	14732.0	6143.9	4.9	26554.0	15112.0	5904.3	4.7	-2%	3%	-4%	-4%	Commodities
MOIL	313.5	136.8	113.4	4.4	280.1	110.9	90.7	3.5	-11%	-19%	-20%	-21%	Commodities

Source of data: Company fillings

Consumer facing companies (Long Term Plays)

We have two companies in the portfolio which are consumer facing, Kewal Kiran Clothing and Bajaj Consumer. Kewal Kiran Clothing is in branded garments space and the brands which it owns are Killer, Lawman, Easies and Integriti. Bajaj Consumer is in the hair oils and skin cream segment. Its large brands are Bajaj Almond Drops and Nomarks skin cream. Both companies came with subdued growth numbers on revenue and profit. But looking at the consumer sentiment and overall business environment, we are not too much worried about short-term volatility in the numbers. We believe both companies have disciplined management and a clear business plan and whenever the business environment improves both these companies will show good growth. Kewal Kiran Clothing has cash and equivalent of Rs 276 cr and Bajaj Consumer has cash and investments of Rs 437 cr at the end of the first quarter 2019 which is nearly 20% and 15% of Kewal Kiran's and Bajaj Consumers market cap at share price Rs 1000 and Rs 250 respectively. Historically both companies have distributed more than 50% of their profits as dividends. Currently, Kewal Kiran Clothing (at Rs 1000) trades at a PE ratio of 15.33 times for FY20E and Bajaj Consumer (at Rs 250) trades at a PE ratio of 15 times for FY20E.



Banks (Long Term Plays)

We have two banks in our portfolio DCB and Federal Bank. The results of both the banks were in line with our expectations. DCB has stated that they will grow at slower rate in near future because of the slowdown in the economy and the risks what they are seeing in the segments where they are present. We appreciate the management for being conservative when there are heightened risks in the economy and not being too focused on growing aggressively. Net NPA for DCB was 0.8% and Federal Bank was at 1.5% at the end of the quarter. In both the banks the NPA ratio is manageable and there is not much to be worried currently. Also, the exposure to stressed corporate groups is not much and the proportion of unsecured assets/loans is low (where we believe next round of NPA's may come from).

IT companies (Long Term Plays)

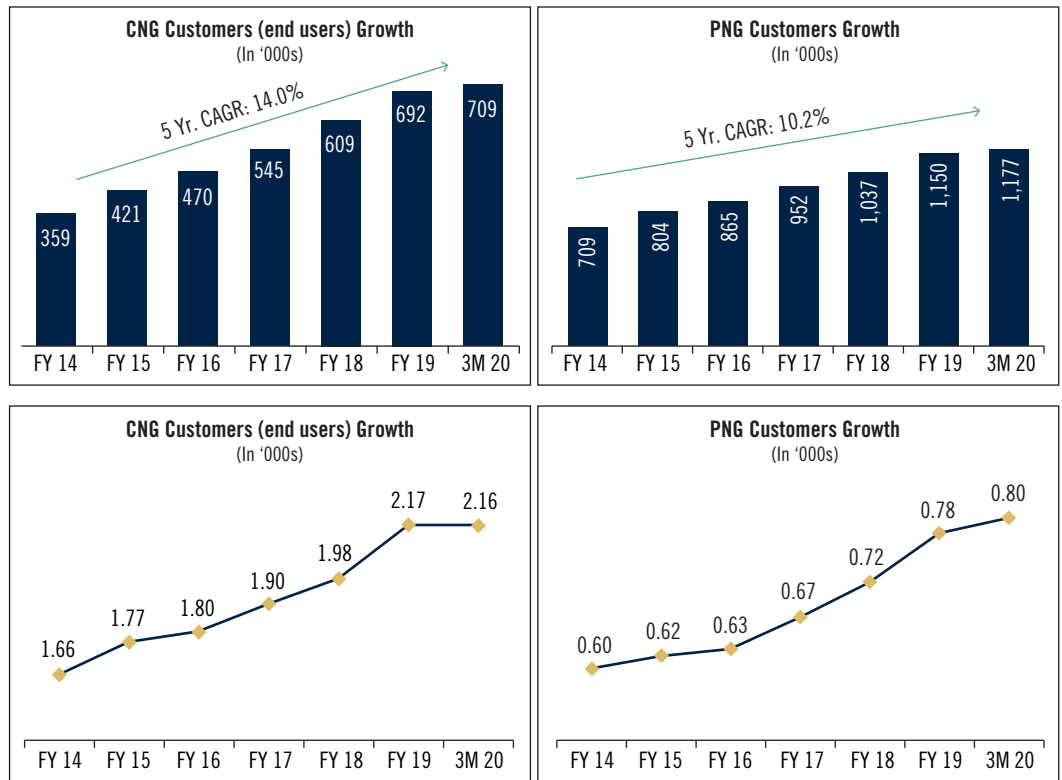
We have two companies which are from Information Technology space. Hexaware is in services space and Oracle Financial Services is in Banking software product business. Numbers of Hexaware were in line with the expectations and the lower profits were because of lower other income. Hexaware maintained organic revenue growth of 12-14% in CY19 and on overall basis (including Mobyquity acquisition) of 19% for CY19. Oracle the results were weaker than expectations because of lower software implementation revenue but we believe this is a temporary phenomenon as the license booking has been good in recent quarters (Trailing Twelve Month basis, the license signing is up by 14% at US \$83 mn).

Utilities (Long Term Plays)

We have Mahanagar Gas in the portfolio in utilities space and we expect increased penetration of natural gas as fuel in the city of Mumbai. The results for this quarter were good with revenue growth of 22% and EBITDA growth of 31% YoY. Increase in margin was because of fall in the LNG prices. We like the company because of its stable and growing business, net cash on balance sheet, dividend yield of 2.5% at stock price of Rs 800 and cheap valuations (P/E of 14 for FY 20E).

Exhibit 2: Mahanagar Gas Volume growth in past few years

Growth backed by increased customer base and coverage area



Source:- Mahanagar Gas Limited



Media (Cyclical Plays)

We have DB Corp in our portfolio. DB Corp is in the business of newspaper printing and publication of newspaper (Dainik Bhaskar in Hindi, Divya Bhaskar in Gujarati and Divya Marathi in Marathi) and in radio business with “94.3 MY FM” in 7 states and 30 cities. The results have been on the expected lines. Advertisement is nearly 70% of the revenue for a newspaper. In last few years because of the slowdown in economy, the advertisement revenue has shown low growth. In our opinion, the most important operating matrix to look in a newspaper is readership data. If the number of readers are increasing, the advertisement revenue will come whenever the economy starts recovering. In the most recent Indian Readership Survey (IRS 2019 Q1) the total number of readers has increased by 4.6%.

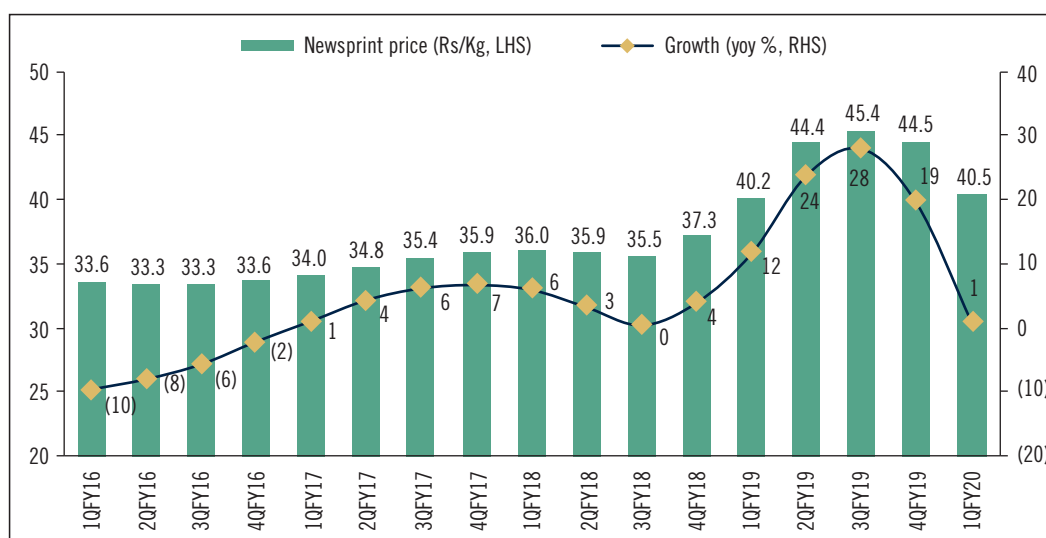
Exhibit 3: IRS 2019 Q1 Survey findings

All India	Read in Last 1 Month (in crs)		Increase in readers (crs)	Growth (%)
	IRS 2017	IRS 2019 Q1		
Any Dailies	40.7	42.5	+ 1.8 Cr	4.6%
Any Hindi Dailies	17.6	18.6	+ 1.0 Cr	5.3%
→ Dainik Bhaskar	4.6	5.3	+ 0.6 Cr	13.9%
Any Regional Dailies	20.3	21.1	+ 0.8 Cr	3.9%
Any English Dailies	2.8	3.1	+ 0.3 Cr	13.7%

Source:- DB corp Annual Report 2019

Last year, the price of newsprint had increased sharply and are now falling. We expect the margins to improve for DB Corp in FY20.

Exhibit 4: Newsprint Price Trends for DB Corp



Source: Kotak Institutional Report

Agrochemicals (Cyclical Plays)

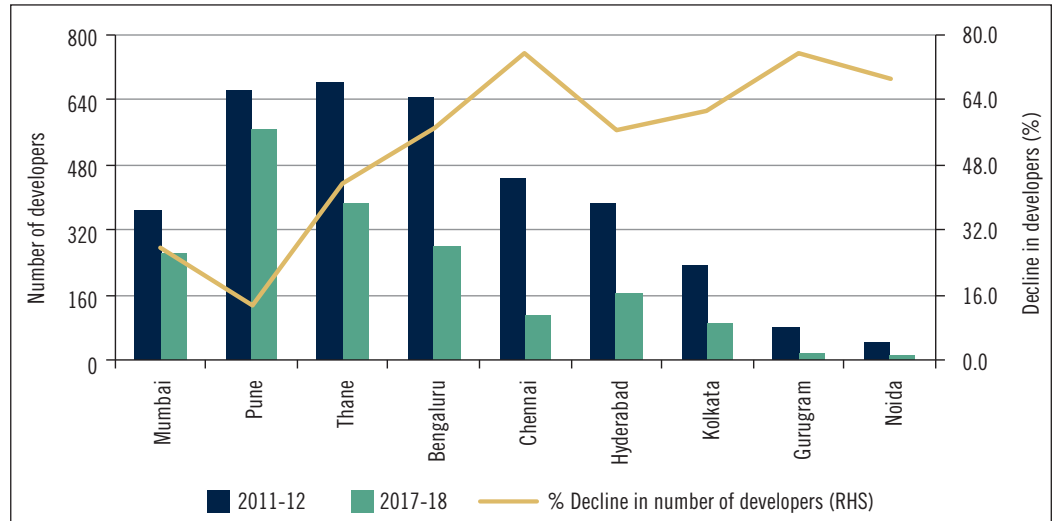
We own Dhanuka agrochemicals in our portfolio. It is focused in the domestic market for its business growth. The revenue growth was impacted because of delayed monsoon this year. Company aims to launch 6 new products this year. We like the company for its singular-minded focus on domestic market and strong relationships with large global companies which helps it in launching new agrochemicals.

Real Estate (Longer Term Plays)

We own real estate companies and are playing the theme of consolidation in the industry. With funding becoming more difficult for the smaller players because of NBFC crisis we expect the pace of consolidation to increase in next few quarters. The results for all three companies in the portfolio were in line with the expectations.



Exhibit 5: Consolidation in number of players across the markets



Source: Edelweiss Report

Manufacturing (Cyclical Plays)

Other than Apar Industries, results for almost all manufacturing companies were poor. In our opinion it is more of a cyclical issue and not a company specific issue. The main end markets for the companies in the portfolio are automobiles, capital goods and infrastructure. There has been a slowdown in the end markets and tight liquidity scenario in the overall economy and it is getting reflected in the results. Based on current data points, this sector is going to continue to face headwinds in near term. All the companies in our portfolio from manufacturing sector are strong number one or number two in their line of businesses and have strong balance sheets.

In case of CCL which is into the manufacturing of coffee powder and producing various blends the fall in revenue was because of deferment of an order from Q1 FY20 to Q2 FY20. Company has maintained 15-20% revenue growth for FY20.

Construction (Cyclical Plays)

We have Ahluwalia Contracts in construction space. The results were poor because of election and billing worth Rs 80 cr got deferred to the next quarter. It won orders worth Rs 420 crore in the quarter and has an orderbook worth Rs 6000cr. Company maintained guidance of 15% revenue growth, 13.5% EBITDA and order inflow of Rs 2000cr.

Shipping (Cyclical Plays)

We have Great Eastern Shipping in our portfolio and we remain optimistic on the long-term prospects of the company. Company has announced a buyback worth Rs 100 cr from market and the maximum purchase price can be Rs 306. Company stated that the charter rates in the offshore segment have started improving and the new orders which it has won recently are at rates better than the previous orders it had won.



Exhibit 6: Operational parameters of GESCO

Operational Parameters	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Q1 FY20
Operating cash flow	1358	1444	2059	1476	978	1075	305
Gross Debt	6119	6540	5758	6815	6213	5988	5917
Net Debt	2577	2806	1858	2475	2430	2504	2235
Equity	6773	7431	6563	7223	6929	6809	6755
Net Debt: Equity	38.00%	38%	28%	34%	35%	37%	33%
DPS	9.00	11.00	13.50	10.10	7.20	5.40	NA
CEPS	81.76	90.38	124.45	107.26	50.77	58.65	15.82
Fleet of GESCO							
Offshore vessels	21	22	21	19	19	19	19
Rigs	3	4	4	4	4	4	4
Ships	30	29	32	45	49	47	47
Global Orderbook							
Dry Bulk	21%	16%	16%	8%	9.90%	10.90%	11%
Product tankers	15%	17%	15%	11%	9.50%	7.35%	6.80%
Crude tankers	12%	17%	19%	13%	13.50%	10.50%	9.20%

Source: - Company presentations

Exports

We have two companies in exports which have differentiated and good business models. One is Himatsinka Seide which is into the business of exports of home textiles and the other is Pokarna which is into the business of exports of granite and quartz surfaces. Large proportion of both the company's revenues comes from exports to USA. Current quarterly results were good but the fear is what if global economy goes into recession and US imposes duty on goods imported from India.

Pharmaceuticals (Long Term Plays)

We have been holding on to JB Chemicals in the pharma space. Results have been better than our expectations and most of the other pharma companies. At Rs 380 the stock trades at 13 times FY20 EPS estimates.

Commodities (Cyclical Plays)

We have two companies in the commodities space:- ONGC and MOIL. In commodity companies, we look for companies which have low-cost of production, scalable operations and nil or very less debt. Both the companies fulfil all the above criteria and are available for very cheap valuations. Hence, we have been holding on to the companies.

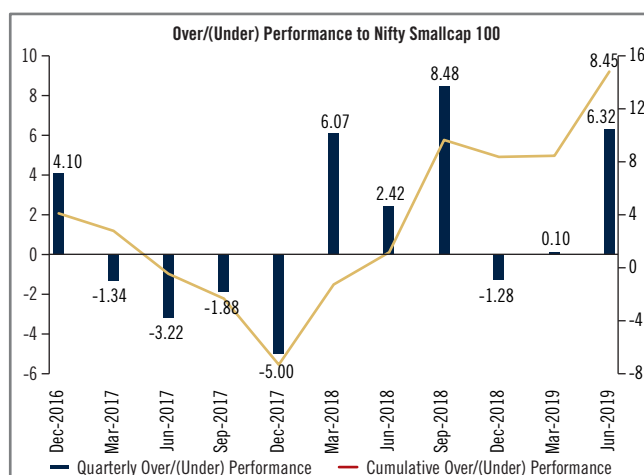
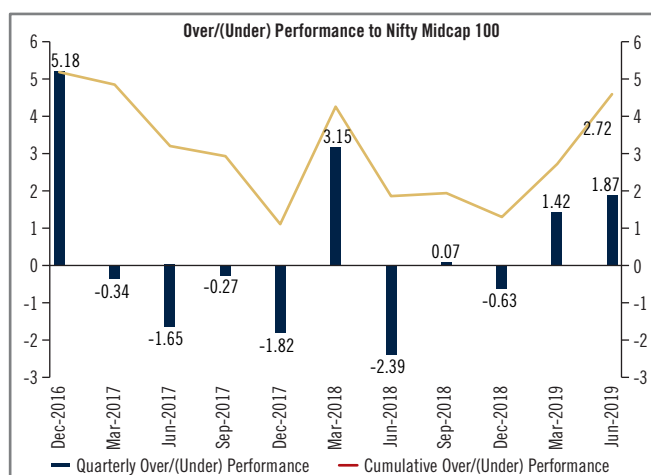
Note : PE wherever is discussed, is based on Bloomberg consensus estimate EPS for FY20.

Yours Sincerely.



PGIM INDIA PHOENIX STRATEGY

KEY PORTFOLIO PERFORMANCE INDICATORS



Performance depicted as at the above stated date is based on all the client portfolios under PGIM India Phoenix 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 Phoenix Strategy as on August 31st, 2019

Date of Purchase	Equity	Sector	%
Aug-2016	Great Eastern Shipping Co Ltd	Shipping	5.19%
Aug-2016	JB Chemicals & Pharmaceuticals Ltd	Pharmaceuticals	4.93%
Aug-2016	Federal Bank Ltd	Banks	4.74%
Sep-2016	Oracle Financial Services Software Ltd	IT Services / Products	4.64%
Apr-2018	Mahanagar Gas Ltd	LPG/CNG/PNG/LNG SUPPLIER	4.10%
Aug-2016	Sobha Ltd	Residential/Commercial/ Sez Project	3.87%
Apr-2017	Hexaware Technologies Ltd	Computers - Software	3.85%
Aug-2016	Oberoi Realty Ltd	Residential/Commercial/ Sez Project	3.79%
Mar-2018	Cummins India Ltd	Engineering	3.69%
Aug-2016	Ahluwalia Contracts India Ltd	Cement Products	3.60%
Sep-2016	Apar Industries Ltd	Power Equipment	3.57%
Oct-2016	DCB Bank Ltd	Banks	3.24%
Mar-2019	Bajaj Consumer Care Ltd	Personal Care	3.22%
Sep-2016	D B Corp Ltd	Printing And Publishing	3.03%
May-2019	Dhanuka Agritech Ltd	Pesticides And Agrochemicals	3.03%
	Total		58.49%

Model Portfolio Details

Portfolio Details as on August 31st, 2019	
Weighted average RoE	14.54%
Portfolio PE (1-year forward) (Based on FY 20)	15.09
Portfolio dividend yield	1.96%

Portfolio Composition as on August 31st, 2019	
Large Cap	7.75%
Mid Cap	18.50%
Small Cap	66.25%
Cash	7.50%

Large Cap: Market cap of the 100th company in the Nifty 500 (sorted by market cap in descending order) as on August 31st, 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 August 31st, 2019

Small Cap: Market cap lower than the 250th company in the nifty 500 (sorted by market cap in descending order) as on August 31st, 2019

The above holding represents top 15 holdings of PGIM India Phoenix Strategy based on all the client portfolios under PGIM India Phoenix Strategy 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 Phoenix Strategy Portfolio Performance as on August 31, 2019

Period	Portfolio	Nifty Midcap 100	Nifty Smallcap 100
1 Month	-1.94%	-0.33%	-0.96%
3 Months	-13.44%	-13.03%	-17.81%
6 Months	-4.81%	-6.39%	-8.23%
1 Year	-15.04%	-21.15%	-28.74%
2 Year	-3.54%	-7.30%	-15.67%
3 Year	3.80%	0.70%	-3.95%
Since Inception Date 01/08/2016	3.97%	1.90%	-3.54%
Portfolio Turnover Ratio*	19.51%		

*Portfolio Turnover ratio for the period September 1st, 2018 to August 31st, 2019

Consolidated Portfolio CY Performance of PGIM India Phoenix Strategy

CY	Portfolio Performance	Nifty Midcap 100	Nifty Smallcap 100
01-08-2016 to 31-12-2016	1.08	-2.85	-5.01
CY 2017	42.13	47.26	57.3
CY 2018	-12.72	-15.42	-29.08
CY 2019 till 31-08-2019	-9.16	-12.44	-15.56
01-08-2016 to 31-08-2019	3.97	1.9	-3.54

Important Disclosures regarding the consolidated portfolio performance: Performance depicted as at the above stated date is based on all the client portfolios under PGIM India Phoenix 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 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 Phoenix Strategy: The objective of the strategy is to generate capital appreciation over the long term by investing in a portfolio of equity of Indian companies

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