

# PORTFOLIO MANAGEMENT SERVICES

Newsletter: July 2019

DHFL Pramerica Phoenix Strategy



Pramerica

## From the desk of the Portfolio Manager for DHFL Pramerica Phoenix Strategy

Dear Investor,

In this newsletter we wish to discuss DCB Bank, which we have been holding for a pretty long period of time, and what is our rationale for holding on to it.

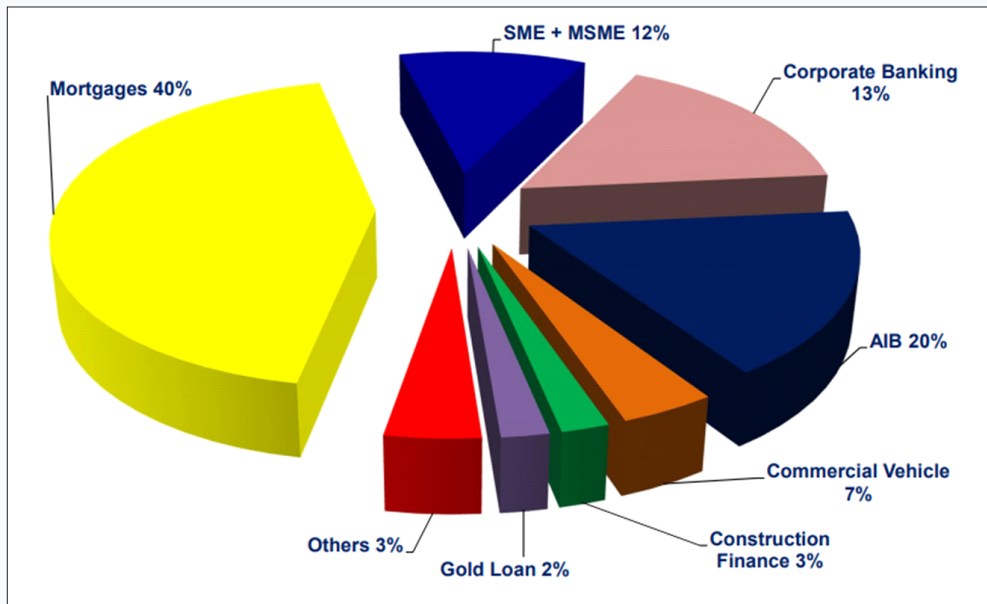
DCB is a small bank with 333 branches and is focused on lending to SME/ MSME and self employed category. We like the bank for its clarity of strategy which has the following features:-

- Focus on retail deposits, grow NRI deposits and avoid bulk deposits
- Focus on SME, MSME and self-employed category for building assets
- Build a base of secured and diversified assets, avoid unsecured and lumpy assets
- Concentrate on tier 2 to tier 6 locations
- Relentlessly focus on costs, liquidity, people, credit processes and recoveries
- Focus on generating steady and granular fee income

No feature of the strategy is something which is exceptional or not replicable, but what it has led to is a focused work on few areas and the bank has been able to avoid any big mistakes in last 9 yrs. Over a period of time what we have realized is extreme focus has led organizations to be financially successful, market leaders in the chosen niche business and come out of the difficult times much more stronger. Example of companies with extreme narrow focus and market leaders in the chosen line of business are Colgate Palmolive, WABCO, Vesuvius, SKF, Cummins etc.

“My success, part of it certainly, is that I have focused in on a few things.” **Bill Gates**

### Breakup of assets of DCB Bank as of 31st March, 2019



Source: Company Presentation

As per the bank estimates, 80% of its CASA and term deposits is from the self employed customer base and 82% of the mortgage is also from self employed category. The bank aims to double its balance sheet in three to four years.

**Table 1: Financials of DCB Bank**

DESCRIPTION	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	5 yr CAGR
<b>Profit and loss Summary</b>							
Interest Earned	1128	1422	1698	2076	2413	3041	22%
Total Income	1267	1588	1919	2325	2723	3392	22%
Total Expenditure	1116	1380	1658	2018	2337	2885	21%
PBT	151	208	261	307	386	507	27%
PAT	151	191	195	200	245	325	17%
<b>Balance Sheet Summary</b>							
Equity Paid Up	250	282	284	285	308	310	4%
Reserves and Surplus	901	1303	1506	1918	2498	2805	26%
Net Worth	1098	1534	1740	1947	2556	2870	21%
Deposits	10325	12609	14926	19289	24007	28435	22%
Investments	3634	3962	4333	5818	6219	7844	17%
Cash and Bank balance	690	719	892	1192	2372	2793	32%
Advances	8140	10465	12921	15818	20337	23568	24%
Total Assets	12923	16132	19119	24046	30222	35792	23%
<b>Important Ratios</b>							
Gross NPAs to Gross Advances (%)	1.69	1.76	1.51	1.59	1.79	1.84	
Net NPAs (funded) to Net Advances (%)	0.91	1.01	0.75	0.79	0.72	0.65	
Adjusted EPS (Rs.)	6.05	6.78	6.84	7.00	7.96	10.51	
Book NAV/Share(Rs)	43.88	54.39	61.19	68.22	82.96	92.72	
ROA(%)	1.25	1.32	1.10	0.93	0.90	0.99	
ROE(%)	14.81	14.53	11.88	10.83	10.90	11.99	
Cost Income Ratio	62.93	58.83	58.45	60.02	59.79	56.88	

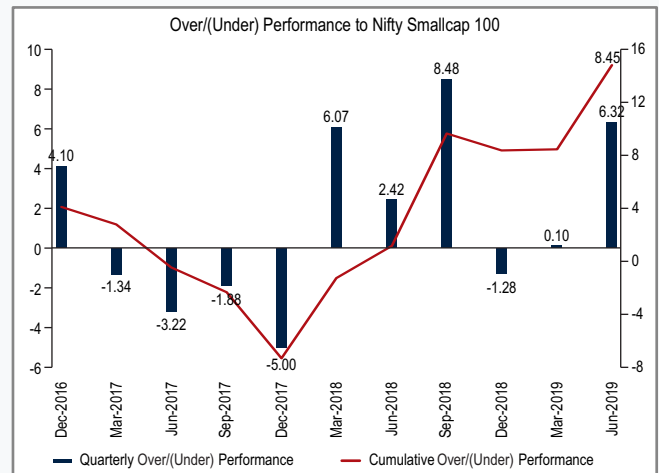
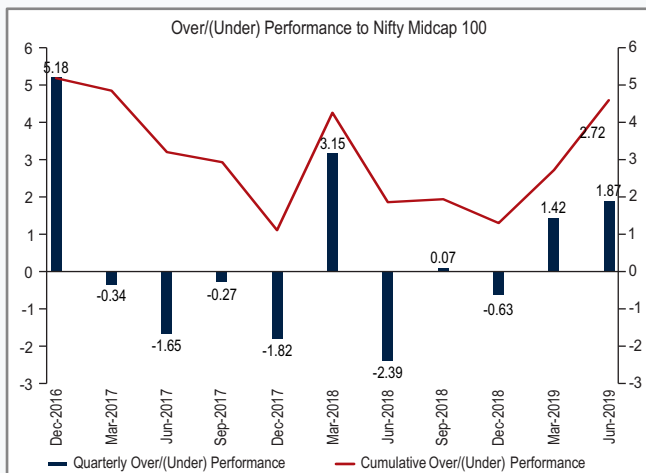
Source of Data: Ace Equity

Warm regards,

Yours Sincerely,

**(Himanshu Upadhyay)**  
Portfolio Manager

# DHFL PRAMERICA PHOENIX STRATEGY KEY PORTFOLIO PERFORMANCE INDICATORS



Performance depicted as at the above stated date is based on all the client portfolios under DHFL Pramerica 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 DHFL Pramerica Phoenix Strategy as on June 30th, 2019

Date of Purchase	Equity	Sector	%
Aug-2016	Federal Bank Ltd	Banks	5.23%
Aug-2016	Great Eastern Shipping Co Ltd	Shipping	4.98%
Aug-2016	JB Chemicals & Pharmaceuticals Ltd	Pharmaceuticals	4.37%
Apr-2018	Mahanagar Gas Ltd	LPG/CNG/PNG/LNG SUPPLIER	3.84%
Sep-2016	Oracle Financial Services Software Ltd	IT Services / Products	3.80%
Mar-2018	Cummins India Ltd	Engineering	3.70%
Aug-2016	Sobha Ltd	Residential/Commercial/Sez Project	3.60%
Apr-2017	Hexaware Technologies Ltd	Computers - Software	3.59%
Aug-2016	Ahluwalia Contracts India Ltd	Cement Products	3.56%
May-2018	Kirloskar Brothers Ltd	Compressors / Pumps	3.45%
Oct-2016	DCB Bank Ltd	Banks	3.24%
Aug-2016	Oberoi Realty Ltd	Residential/Commercial/Sez Project	3.23%
Sep-2016	D B Corp Ltd	Printing And Publishing	3.17%
Sep-2016	Apar Industries Ltd	Power Equipment	3.17%
May-2019	Dhanuka Agritech Ltd	Pesticides And Agrochemicals	3.11%

### Model Portfolio Details

Portfolio Details as on June 30th, 2019	
Weighted average RoE	13.16%
Portfolio PE (1-year forward) (Based on FY 20)	15.32
Portfolio dividend yield	1.58

Portfolio Composition as on June 30th, 2019	
Large Cap	7.00%
Mid Cap	16.50%
Small Cap	62.00%
Cash	14.50%

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

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

The above holding represents top 15 holdings of DHFL Pramerica Phoenix Strategy based on all the client portfolios under DHFL Pramerica 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.

## DHFL Pramerica Phoenix Strategy Portfolio Performance as on June 30th, 2019

Period	Portfolio	NIFTY MIDCAP 100	NIFTY SMALLCAP 100
1 Month	-3.84%	-1.89%	-6.71%
3 Months	-0.50%	-2.37%	-6.82%
6 Months	2.54%	-0.78%	-3.12%
1 Year	1.24%	-1.07%	-11.57%
2 Year	2.27%	0.37%	-7.35%
Since Inception Date 01/08/2016	8.25%	6.32%	0.64%
Portfolio Turnover Ratio*	29.10%		

\*Portfolio Turnover ratio for the period June 1st, 2018 to June 28th, 2019

## Consolidated Portfolio CY Performance of DHFL Pramerica Phoenix Strategy

Period	Portfolio	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 30-06-2019	2.01	-0.78	-3.12
01-08-2016 to 30-06-2019	8.25	6.32	0.64

**Important Disclosures regarding the consolidated portfolio performance:** Performance depicted as at the above stated date is based on all the client portfolios under DHFL Pramerica 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 DHFL Pramerica 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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This document is dated July 16, 2019.

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