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Management Services

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**PGIM INDIA**

**CORE EQUITY PORTFOLIO STRATEGY**





**Himanshu Upadhyay,**  
Portfolio Manager

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

Dear Investor,

In this newsletter, we wish to discuss Vardhman Textiles which we have added to the portfolio.

Vardhman Textiles is one of the leading textile groups in the country. It has the largest spindle capacity in the country with 1.1 mn spindles. Its yarn manufacturing capacity is more than twice the nearest listed competitor and, in terms of spindles, it has a market share of 2% in India. The yarn business contributed to INR 3,947 Cr in FY19. Besides yarn production, it is also in the business of fabric production and has ~1,482 weaving looms. More than 40% of the fabric the Company manufactures is sold to domestic and international brands such as GAP, H&M, Peter England, Van Heusen, Wills, Banana Republic and Esprit. This business contributed INR 2,396 Cr in FY19.

India is the largest cotton producing country in the world, has second largest spindle base (20% share in global spindles capacity), large availability of labor, large and growing domestic consumption market and a complete textile manufacturing eco-system which is an important advantage in yarn and fabric manufacturing industry. We expect the industry to grow at a steady pace in India.

Last three years have been tough for the industry because of demonetization, implementation of GST, trade war between USA and China (China is one of the largest yarn export markets for India), resulting in inventory reduction across the textile chain, poor cotton production in India leading to a significant rise in the prices of cotton and, price of global cotton being below the domestic available cotton, leading to compression in yarn cotton spreads and overcapacity in the yarn industry.

We believe there would be improvement on the spinning side:-

1. As cotton production in the country this year is better than last year. According to CAI (Cotton Association of India), crop production is expected to be 354.2 lakh bales in FY 19-20 up from 312 lakh bales in FY18-19. This should keep domestic cotton prices under check.
2. Some of the inefficient capacities have shut down in India.
3. Inventory reduction has happened throughout the chain.
4. Glitches related to GST and issues related to tax rates have been overcome and settled.

We choose Vardhman Textiles in the textile space as it is the market leader in the spinning and fabric industry with strong balance sheet. The company has shown consistent growth in revenues and has maintained or grown its market share in comparison to the other listed players over the last 10 years.

**Table 1: Revenue and EBITDA of large listed spinning companies in India.**

Revenues in Rs. crores

FY	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Vardhman	2743	3607	3918	4160	5171	5742	5613	5690	5851	6415
Sutlej Textiles	1147	1582	1537	1680	1881	1878	2074	2249	2453	2562
Ambika Cotton	208	327	389	398	477	495	492	529	584	656
Rajapalayam	255	326	305	345	434	389	396	410	430	416
Nitin Spinners	302	411	428	446	488	616	767	933	1145	1243
KPR Mills	789	1057	1186	1493	1960	2080	1961	2219	2512	2979
Bannari Aman spinning	355	545	460	560	700	680	771	868	892	1000
RSWM	1531	1951	1987	2453	2870	3003	2933	2987	2940	2961
Vardhaman Market share in revenue	0.37	0.37	0.38	0.36	0.37	0.39	0.37	0.36	0.35	0.35

EBITDA in Rs. crores

FY	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Vardhman	540	901	493	828	1261	942	1108	1131	859	1132
Sutlej Textiles	124	240	147	195	265	232	268	282	247	219
Ambika Cotton	46	99	78	87	104	100	93	105	113	124
Rajapalayam	47	88	42	75	91	47	60	79	62	55
Nitin Spinners	34	76	45	87	94	99	137	133	155	178
KPR Mills	122	247	177	357	352	357	356	446	429	507
Bannari Aman spinning	68	131	34	113	118	80	92	85	87	103
RSWM	175	325	139	308	363	346	398	326	227	179
Vardhaman Market share in EBITDA	0.47	0.43	0.43	0.40	0.48	0.43	0.44	0.44	0.39	0.45

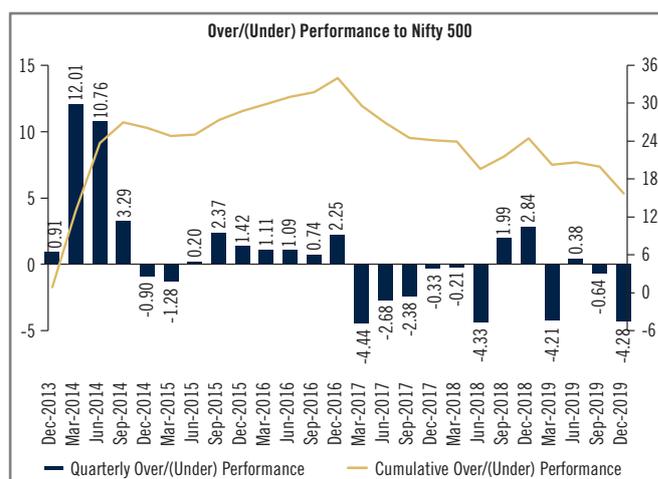
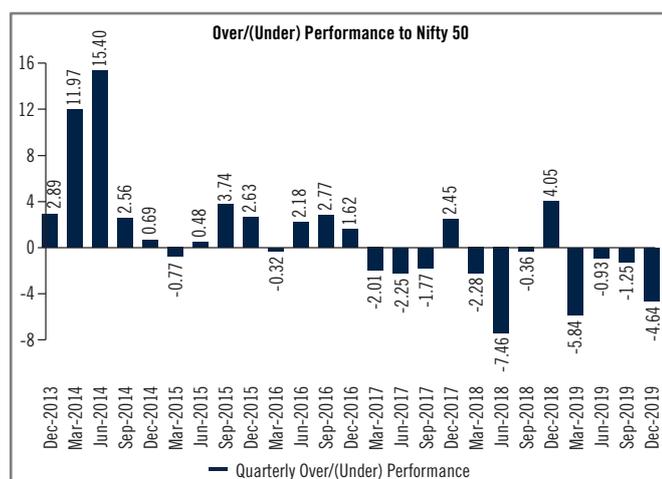
Source of data: Ace Equity

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 December 31st, 2019

Date of Purchase	Equity	Sector	%
Sep-2015	State Bank of India	Banking / Financial Services	6.15%
Feb-2018	Multi Commodity Exchange Of India Ltd	Other Financial Services	5.61%
Jul-2013	Container Corporation of India Ltd	Logistics	5.15%
May-2018	Bharat Electronics Ltd	Industrial Electronics	4.94%
Jul-2013	Indraprastha Gas Ltd	City Gas Distribution	4.81%
Oct-2017	Power Grid Corporation Of India Ltd	Power- Transmission	4.72%
Jun-2015	ITC Ltd	FMCG	4.40%
Jan-2016	Oracle Financial Services Software Ltd	IT Services / Products	4.26%
Aug-2013	Great Eastern Shipping Co Ltd	Shipping	3.92%
Mar-2015	Castrol India Ltd	Lubricants / oils	3.71%
Aug-2013	Cummins India Ltd	Engineering	3.54%
Aug-2018	Cipla Ltd	Pharmaceuticals	3.53%
Jun-2018	Ge Power India Ltd	Power Equipment	3.22%
Jul-2013	Bosch Ltd	Auto Ancillaries	2.99%
Jul-2013	Engineers India Ltd	Consulting	2.93%
	<b>Total</b>		<b>63.88%</b>

### Model Portfolio Details

#### Portfolio Details as on December 31st, 2019

Weighted average RoCE	23.37%
Portfolio PE (1-year forward ) (Based on FY 20)	17.68
Portfolio dividend yield	1.58%
Average age of companies	60 Years

#### Portfolio Composition as on December 31st, 2019

Large Cap	33.50%
Mid Cap	22.00%
Small Cap	30.00%
Cash	14.50%

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

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

Period	Portfolio	NIFTY 50	NIFTY 500
1 Month	-1.43%	0.93%	0.60%
3 Months	1.41%	6.05%	5.69%
6 Months	-1.57%	3.22%	2.22%
1 Year	0.01%	12.02%	7.66%
2 Years	-1.59%	7.50%	1.99%
3 Years	6.50%	14.14%	12.25%
5 Years	7.12%	8.00%	7.83%
Since Inception Date 08/07/2013	17.45%	11.91%	12.75%
Portfolio Turnover Ratio*	23.31%		

\*Portfolio Turnover ratio for the period January 1st, 2019 to December 31st, 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	0.01%	12.02%	7.66%
08-07-2013 to 31-12-2019	17.45%	11.91%	12.75%

**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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