



PGIM

India Portfolio
Management Services

Stable core.
Strong portfolio.

PGIM INDIA
CORE EQUITY PORTFOLIO





Himanshu Upadhyay,
Portfolio Manager

Results and Rationale

Dear Investor,

The Core Equity Portfolio delivered +0.06% return versus -0.41% by Nifty 50 and +0.41% by Nifty 500 for the month of April 2021. The top three stocks that gave positive contribution for the month were Cipla (+12%) followed by Rallis (+11%) and Thermax (+10%). Three stocks that dragged the portfolio return for the month the most were Vardhman (-10%), Cummins (-9%), and Jagran Prakashan (-8%).

Some of our holdings have recently announced their latest results. Here, we cover them and explain the rationale for holding them in the CEP portfolio.

COVID has disrupted normal functioning for many businesses and accelerated the adoption of technology across the globe. As a result, the domestic IT & IT Services companies have seen good traction in new deal wins. The revenue and margin tailwinds for the sector are expected to continue for a few more quarters. The other segment, IT Product companies, has a nonlinear business model where profit and cash flows will generally grow at a faster rate than revenue growth, and long-term sticky relationships with the clients give a far longer future visibility. So, it is logical to have a mix of both. The Core Equity Portfolio has two IT services companies viz TCS, Infosys, and one IT product company - OFSS.

Both TCS and Infosys had a good quarter with revenue growth of 9% and 13% and Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) growth of 17% and 28% respectively. Infosys has declared a Rs 9200 cr buyback with a maximum purchase price of Rs 1750 in the quarterly result. While OFSS had Profit After Tax (PAT) growth of 71%, it was led by growth in other income. The company had revenue degrowth of 4.2% and EBITDA growth of 4.3%. OFSS has declared a dividend of Rs 200 per share.

With around 8 crore diabetes patients, India is deemed the diabetes capital of the world and numbers are only growing. Insulin penetration in the country is currently low at around 16%. Low levels of competition and higher projected demand makes the diabetes care space attractive. We have Sanofi India Ltd as a part of the theme. It is a leading pharmaceutical company with a business focused on diabetes, cardiology, and consumer healthcare. Almost 25% of Sanofi's field force is dedicated to the insulin business to cover all insulin prescribers in tier 1 cities and to educate the patients and prescribers in smaller towns. Though the revenue for the quarter fell by 7.6% (impacted by divestment of exports to Zentiva), EBITDA increased by 7.2%, and PAT increased by 24% adjusted for an exceptional item. The company paid Rs 125 as a normal dividend and Rs 240 as an exceptional dividend.

The last few years have been a period of low credit growth in the country. We expect that with the economy getting back to normal the credit growth should also normalize. Normalization of credit growth along with the introduction of newer quasi debt instruments like Invits and REITs should improve the business prospects of credit rating firms. The CEP has exposure to CRISIL, a rating agency arguably with the strongest brand perception in the market that should benefit from this trend. CRISIL has been gaining market share, as reflected in the revenue growth of 16% led by a 12% increase in rating services, 18% growth in research and analytics, and 13% increase in the advisory business. EBITDA increased by 16% and PAT was down by 5% because of a reduction in other income. If it can turn around the Greenwich acquisition it should help improve the margins.

Electric Vehicle (EV) is the buzzword in the automotive space. The CEP has exposure to Castrol. Castrol has a portfolio of EV products ranging from transmission fluids to coolants and greases that are supplied to various large Original Equipment Manufacturers (OEMs) like JLR, VW, BMW in Europe (supplies from Parent), and to MG Motors and Tata Motors for EVs in India. The other area that is witnessing traction is quality vehicle care products for the automotive after-market. It entered into a strategic collaboration with 3M India Limited for a range of such products. Core products should see



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

increased traction as the number of outlets of BP and Reliance that exclusively sell Castrol increases from the current 1500 to higher numbers. Castrol came out with a good set of results with revenue up by 17%, EBITDA up by 20% and PAT up by 31%. Interestingly, Castrol has been able to raise prices twice, in January 21 and April 21 as the prices of the raw materials have increased.

On the agri side, the businesses focused on domestic crop protection, seed business, and exports of agrochemicals have seen good traction. We hold Rallis as a part of our exposure to the theme. Rallis is focusing on growing its domestic business through new products and increasing the reach in the market and exports business through capacity addition in the existing products and introduction of new products. The revenue grew by 36% driven by a 74% increase in exports and 14% growth in domestic crop protection. EBITDA and PAT turned from loss to profit for the quarter in comparison to the same quarter last year.

Almost all the companies from the portfolio are market leaders in their segments with high return ratios, cheap valuations, and good dividend pay-out. The portfolio in our opinion is aligned to make the most of a broader economic recovery. We continue to watch out for disruptions that may result from a resurgence of the second wave. We will make the necessary changes to the portfolio, as needed.

Yours Sincerely



Top 15 Holdings of PGIM India Core Equity Portfolio Discretionary Portfolio Regular Plan as on April 30th, 2021

Date of Purchase	Equity	Sector	%
May-2018	Bharat Electronics Ltd	Industrial Electronics	5.90%
Sep-2015	State Bank of India	Banking / Financial Services	5.57%
Aug-2013	Cummins India Ltd	Engineering	5.16%
Jan-2016	Oracle Financial Services Software Ltd	IT Services / Products	5.08%
Oct-2017	Power Grid Corporation Of India Ltd	Power- Transmission	5.04%
Jun-2015	ITC Ltd	FMCG	4.91%
Aug-2018	Cipla Ltd	Pharmaceuticals	4.60%
Jul-2016	Rallis India Ltd	Pesticides And Agrochemicals	3.98%
Aug-2013	Great Eastern Shipping Co Ltd	Shipping	3.95%
Aug-2018	Thermax Ltd	Industrial Equipment	3.65%
Mar-2020	Suprajit Engineering Ltd	Auto Ancillaries	3.64%
Jul-2013	Indraprastha Gas Ltd	City Gas Distribution	3.60%
Mar-2015	Castrol India Ltd	Lubricants / oils	3.55%
Dec-2019	Vardhman Textiles Ltd	Spinning-Cotton/ Blended	3.44%
Aug-2015	Sun Pharmaceutical Industries Ltd	Pharmaceuticals	3.28%
	Total		65.35%

Model Portfolio Details

Portfolio Details as on April 30th, 2021

Weighted average RoCE	28.78%
Portfolio PE (1-year forward) (Based on FY 21)	21.7
Portfolio dividend yield	2.25%
Average age of companies	61 Years

Portfolio Composition as on April 30th, 2021

Large Cap	36.75%
Mid Cap	31.00%
Small Cap	26.50%
Cash	5.75%

Large Cap: Market cap of the 100th company in the Nifty 500 (sorted by market cap in descending order) as on April 30th, 2021

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 April 30th, 2021

Small Cap: Market cap lower than the 250th company in the Nifty 500 (sorted by market cap in descending order) as on April 30th, 2021

PGIM India Core Equity Portfolio - Performance as on April 30th, 2021

Period	Portfolio	NIFTY 500	NIFTY 50
1 Month	0.06%	0.41%	-0.41%
3 Months	9.06%	9.40%	7.31%
6 Months	26.85%	29.04%	25.67%
1 Year	38.71%	54.31%	48.39%
2 Years	8.66%	13.10%	11.59%
3 Years	5.05%	9.19%	10.86%
5 Years	8.74%	13.42%	13.26%
Since Inception Date 08/07/2013	14.34%	13.69%	12.40%
Portfolio Turnover Ratio*	18.19%		

*Portfolio Turnover ratio for the period May 1st, 2020 to April 30th, 2021

The above holding represents top 15 holdings of PGIM India Core Equity Portfolio - 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 - Annualised Performance as on April 30th, 2021

	Current Year April 1, 2021 to April 30th, 2021	April 1, 2020 to March 31st, 2021	April 1, 2019 to March 31, 2020	April 1, 2018 to March 31, 2019	April 1, 2017 to March 31, 2018
PGIM India Core Equity Portfolio	0.06%	53.51%	-23.79%	3.79%	5.34%
Benchmark - NIFTY 500	0.41%	75.99%	-27.60%	8.43%	11.47%

Performance is calculated on Time Weighted Rate of Return (TWRR) basis

Important Disclosures regarding the consolidated portfolio performance: The performance related information provided herein is not verified by SEBI. 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. 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 live 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: PGIM India Core Equity Portfolio seeks to generate returns by investing in a portfolio of quality companies that are available at reasonable valuations and have the potential of superior wealth creation over long term.

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