



**PGIM**

**India Portfolio  
Management Services**

Small today.  
Large tomorrow.

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**PGIM INDIA**  
**PHOENIX PORTFOLIO**





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Portfolio Manager

## The hypothesis plays out

Dear Investor,

The Phoenix Portfolio gave a 2.82% return versus 2.12% for the Nifty Midcap 100 and 5.57% for Nifty Smallcap 100 for the month of April 2021. During the month, KPR Mill was the best performing stock in the portfolio up 29%, followed by SH Kelkar and Care rating up by 24% and 22% respectively. The bottom three performers were DCB Bank (down by 12%), DB Corp (down by 10%) and Cummins (down by 9%).

We are in the midst of the results season, and a few in the portfolio have declared their results. In this newsletter we would like to share the update and reiterate the hypothesis for continuing with the exposures.

The textile industry has seen tailwinds for the last few quarters. Management commentaries from the sector are quite upbeat. KPR Mills is part of the Phoenix Portfolio and one of the beneficiaries of the developments. In our opinion, KPR mills is a good play on spreads in yarn manufacturing and garment exports from India. For the quarter, the revenue was up by 28%, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) was up by 95% and Profit After Tax (PAT) was up by 130% in comparison to the same quarter last year. The management is quite optimistic for the near term for both textiles and sugar businesses. KPR Mills is expanding its garment and integrated sugar-cum-ethanol capacity.

The manufacturing sector is witnessing a big push from the government through policy measures like reduced tax rates, Production Linked Incentives (PLI), etc. To play the growth of the manufacturing sector in India, we have Carborundum Universal as one of the exposures. It manufactures a wide range of products with applications across the manufacturing sector like automobiles, white goods, cement, steel, castings, etc. The company has a strong leadership position in the various product categories. For the quarter, on a consolidated basis, the revenue was up by 27%, EBITDA was up by 55% and PAT was down by 2% in comparison to the same quarter last year.

The travel and tourism industry has seen a massive dislocation due to the ongoing pandemic. We expect industry consolidation by way of weaker players exiting the market. The massive jolt received by the industry is likely to prevent any significant room addition over the next few years. So, as and when the situation improves for surviving quality players, occupancy and average room rent will improve dramatically. We are trying to play a classic cyclical industry value play in the downturn through our exposure to Indian Hotels. In our opinion, it will be a major beneficiary of the uptrend as and when it happens. It is also pursuing asset-light models by signing 17 hotels in FY 21 to add 2200 rooms to its inventory. On a consolidated basis for the quarter, the revenue was down by 42%, EBITDA was down by 66% and there was a loss of Rs. 91 cr in comparison to the same quarter last year. The silver lining however was that the company posted EBITDA profit after 3 consecutive quarters of loss. If the improvement sustains then it will be safe to assume that the worst is behind us for the hotel industry.

The residential real estate companies have again started showing traction. We have communicated earlier about our hypothesis that the real estate industry will see consolidation and the large players will increase their market share over time. The number of large listed players suggests that the hypothesis is playing out. We hold Sobha and Ashiana in the Phoenix Portfolio. For the Q4 FY 2021, Sobha had the best ever total sales volume of 1.33 M sq ft and a sales value of Rs 874 cr. Ashiana did a sales of 0.831 M sq ft worth Rs 300 cr which is nearly double both in terms of value and volume in comparison to the same quarter last year. It has also purchased 22 acres of land in Gurgaon in the month of April 2021.

IT product companies have a nonlinear business model where profit and cash flows generally grow at a faster rate than revenue growth, and long-term sticky relationships with the clients give a far longer



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

future visibility. We own OFSS, an IT product company which also declared its quarterly numbers. There was revenue degrowth of 4.2% and EBITDA growth of 4.3%, but PAT grew by 71% led by high growth in other income in comparison to the same quarter last year. OFSS has declared a dividend of Rs 200 per share.

The second wave has brought back an atmosphere of uncertainty. In the mid and small-cap spaces, the biggest risk is the business mortality risk. To guard against such risks, we opt for businesses that are run by conservative managements with a growth focus, carrying low leverage, and having a culture of rewarding the shareholders through buybacks and dividends. We continue to remain vigilant and will make the necessary changes as the situation warrants.

Yours Sincerely



### Top 15 Holdings of PGIM India Phoenix Portfolio as on April 30th 2021

Date of Purchase	Equity	Sector	%
Aug-2016	Great Eastern Shipping Co Ltd	Shipping	5.70%
Aug-2016	JB Chemicals & Pharmaceuticals Ltd	Pharmaceuticals	5.55%
Sep-2016	Oracle Financial Services Software Ltd	IT Services / Products	5.27%
Mar-2018	Cummins India Ltd	Engineering	5.14%
Jul-2017	Mayur Uniquoters Ltd	Textiles	4.62%
Oct-2019	Ashiana Housing Ltd	Residential/Commercial/Sez Project	4.33%
Aug-2016	Sobha Ltd	Residential/Commercial/Sez Project	4.29%
Aug-2016	Federal Bank Ltd	Banks	4.16%
Aug-2018	Carborundum Universal Ltd	Abrasives	4.01%
May-2018	Kirloskar Brothers Ltd	Compressors / Pumps	3.86%
May-2019	Dhanuka Agritech Ltd	Pesticides And Agrochemicals	3.74%
Sep-2016	Apar Industries Ltd	Power Equipment	3.74%
May-2017	MOIL Ltd	Industrial Minerals	3.18%
Aug-2016	Oberoi Realty Ltd	Residential/Commercial/Sez Project	3.18%
Oct-2016	CCL Products India Ltd	Tea & Coffee	3.16%
	<b>Total</b>		<b>63.93%</b>

### Model Portfolio Details

Portfolio Details as on April 30th, 2021	
Weighted average RoE	11.04%
Portfolio PE (1-year forward) (Based on FY 21)	15.09
Portfolio dividend yield	2.14%

Portfolio Composition as on April 30th, 2021	
Large Cap	3.50%
Mid Cap	22.50%
Small Cap	65.00%
Cash	9.00%

**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 Phoenix Portfolio Performance as on April 30th, 2021

Period	Portfolio	Nifty Midcap 100	Nifty Smallcap 100
1 Month	2.82%	2.12%	5.57%
3 Months	15.75%	15.72%	19.34%
6 Months	37.34%	41.77%	47.19%
1 Year	64.39%	79.20%	110.03%
2 Year	7.32%	17.35%	15.07%
3 Year	1.08%	6.04%	0.69%
Since Inception Date 01/08/2016	8.01%	10.95%	7.46%
Portfolio Turnover Ratio*	27.56%		

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

The above holding represents top 15 holdings of PGIM India Phoenix Portfolio based on all the client portfolios under PGIM India Phoenix Portfolio 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 Portfolio - Annualised Performance as on April 30th, 2021

	Current Year April 1, 2021 to April 30, 2021	April 1, 2020 to March 31, 2021	April 1, 2019 to March 31, 2020	April 1, 2018 to March 31, 2019	April 1, 2017 to March 31, 2018
PGIM India Phoenix Portfolio	2.82%	80.21%	-38.70%	-3.73%	9.49%
Benchmark - NIFTY MIDCAP 100	2.12%	102.44%	-35.90%	-2.66%	9.07%

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 PGIM India Phoenix Portfolio 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 Phoenix Portfolio:** The objective of the portfolio is to generate capital appreciation over the long term by investing in quality Mid and Small Cap Indian companies.

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