



PGIM

India Portfolio
Management Services

Stable core.
Strong portfolio.

PGIM INDIA
CORE EQUITY PORTFOLIO





Surjitt Singh Arora,
Portfolio Manager

Union Budget – A well balanced budget targeting fiscal prudence as well as investment push

Dear Investor,

PERFORMANCE RECAP

Our portfolio has declined by 1.1% vs a 3.3% decline for Nifty 500 during the month of Jan'23, thereby outperforming by 220bps. Our overweight stance on Autos, Consumer, Industrials and Building Materials aided our performance for the month. The stocks which outperformed were Maruti Suzuki, ITC, Astral Poly, KEI Industries and Phoenix Mills. This was partially negated by the underweight position in Information Technology.

On a one-year basis, our portfolio delivered a return of 9.0% vs NIL return for Nifty 500, outperforming the benchmark by ~9.0%. The changes in the portfolio (during Sept-Nov'21 period) with a tilt towards Growth at Reasonable Prices (GARP) approach has led to an improvement in the overall performance as against a pure Value Approach earlier. The portfolio outperformed the index due mostly to stock selection in Speciality Chemicals as well as an overweight position in Industrials and underweight stance in the Information Technology (IT) sector. Four of our top holdings i.e. Timken India, Phoenix Mills, SBI and Cummins India contributed meaningfully to our outperformance, thereby, reflecting the high conviction calls in the portfolio.

INVESTMENT PROCESS

We invest in structurally strong companies, that are termed as good quality companies. A good quality company is a company that has reached a minimum scale in terms of revenue, has gone through at least one downcycle and emerged as a stronger company, has a consistency in cash flows and higher return on capital employed over the last 10 years. Second aspect has been to always own companies which are market leaders in a particular domain. We have over a period of time seen that market leaders generally tend to come back stronger with higher market share after the downturn as weaker players usually exit in the downturn.

All stocks which have a large weightage in the portfolio currently SBI, Timken India, Bharat Electronics, Maruti Suzuki, KEI Industries and Phoenix Mills, etc. were bought keeping the aforementioned thought process in mind.

UNION BUDGET FY24

Government announced the Union Budget for FY24 on Feb 1, 2023. We reckon it is a well balanced budget targeting fiscal prudence as well as investment push at the same time. Key highlights of the budget are:

- FY23 fiscal deficit retained at 6.4% of GDP and for FY24 estimated at 5.9% of GDP; on track to achieve 4.5% fiscal deficit target by FY25.
- Government expects nominal GDP growth to be 10.5%.
- Capital investment increased sharply by 33% to Rs.10tn or 3.3% of GDP. The effective capex of Rs.13.3tn up by 30% (4.5% of GDP)

Focus on investment - (1) higher allocation to core infrastructure sectors of railways and roads, (2) tariff protection through judicious use of high customs duties in the case of select sectors, (3) encouraging private sector investment in emerging areas (clean energy) and (4) capital support to OMCs.

Government seems to be targeting inclusive growth with a focus on lower and middle class, spurring domestic manufacturing and infrastructure development. We highlight the absence of no major populist measures despite upcoming states as well as union elections, depicting the resolve of fiscal prudence and focus on economic development. Measures to boost rural economy were expected given the rural weakness however instead of giving freebies, government focussed on asset creation and rightly so.

PORTFOLIO OUTLOOK

The Union budget continues on its path of consistency and credibility. The government is sticking to its targets, keeping the fiscal math believable, and has not become populist in a pre-election year. The objectives of macro stability and sustained growth are pursued pragmatically.

Q3FY23 results so far have broadly been in line. Banks delivered healthy NIM expansion in the rising interest rate regime, while IT results were mostly in line with estimates. However, certain pockets are seeing signs of slowing down. On an absolute basis, earnings upgrades and downgrades should determine the performance, while on a relative basis performance of other emerging markets and India's valuation premium/EM valuation discount would be a key driver. Domestic demand (especially on the rural side) and export buoyancy are near-term monitorable.

In our portfolio, majority of our investment companies are either debt-free or have very low Net Debt: Equity. We prefer companies which are inward oriented i.e. mainly domestic demand driven as against those who are pre-dominantly dependent on exports given the current global environment. At the same time, domestic data is quite encouraging whether it is credit growth, personal loan growth, GST collections, Auto sales, IIP data. In terms on sectoral allocation, we are positive on Industrials, Autos and Building Materials. We continue to remain underweight on Information Technology (IT) sector.

We expect stock picking and sector allocations to be prime driver of returns. From a long-term perspective we reckon Indian markets to do well, led by earnings growth prospects and macro stability. We continue to believe that investors with a 3 to 5-year view would benefit from investing in the current scenario.

Yours Sincerely

Surjitt Singh Arora

Top 15 Holdings of PGIM India Core Equity Portfolio Discretionary Portfolio Regular Plan as on January 31st, 2023

Date of Purchase	Equity	Sector	%
Nov-2022	Maruti Suzuki India Ltd	Consumer Discretionary	6.99%
Jul-2013	VST Tillers Tractors Ltd	Industrials	6.62%
Dec-2021	Astral Ltd	Industrials	6.40%
Sep-2015	State Bank Of India	Financials	4.53%
Jun-2015	ITC Ltd	Consumer Staples	4.31%
Sep-2021	Timken India Ltd	Industrials	4.27%
Aug-2013	Cummins India Ltd	Industrials	4.19%
May-2018	Bharat Electronics Ltd	Industrials	4.09%
Jan-2015	ICICI Bank Ltd	Financials	4.08%
Aug-2017	P I Industries Ltd	Materials	4.02%
Oct-2017	Power Grid Corporation Of India Ltd	Utilities	4.00%
Aug-2022	Eicher Motors Ltd	Consumer Discretionary	3.93%
Sep-2022	Escorts Kubota Ltd	Industrials	3.87%
May-2014	Infosys Ltd	Information Technology	3.86%
Sep-2021	Phoenix Mills Ltd	Real Estate	3.85%
	Total		69.01%

Portfolio Details as on January 31st, 2023

Weighted average RoCE	16.28%
FY2024E P/E	24.14
Portfolio dividend yield	1.25%
Average age of companies (Years)	49

Portfolio Composition as on January 31st, 2023

Large Cap	37%
Mid Cap	41%
Small Cap	15%
Cash	8%

Large Cap: Market cap of the 100th company in the Nifty 500 (sorted by market cap in descending order) as on January 31st, 2023

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 January 31st, 2023

Small Cap: Market cap lower than the 250th company in the Nifty 500 (sorted by market cap in descending order) as on December 31st, 2022

PGIM India Core Equity Portfolio - Performance as on January 31st, 2023

Period	Portfolio	NIFTY 500	NIFTY 50
1 Month	-1.15%	-3.32%	-2.45%
3 Months	-2.99%	-3.17%	-1.94%
6 Months	3.37%	1.84%	2.94%
1 Year	9.04%	0.09%	1.86%
2 Years	20.58%	14.97%	13.83%
3 Years	16.05%	14.84%	13.87%
5 Years	8.68%	9.02%	9.88%
Since inception date 08/07/2013	14.97%	13.26%	12.21%
Portfolio Turnover*	38.59%		

*Portfolio Turnover ratio for the period February 1st, 2022 to January 31st, 2023

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 January 31st, 2023

	Current Year April 1, 2022 to January 31, 2023	April 1, 2021 to March 31, 2022	April 1, 2020 to March 31, 2021	April 1, 2019 to March 31, 2020	April 1, 2018 to March 31, 2019
PGIM India Core Equity Portfolio	7.58%	24.45%	53.25%	-23.66%	3.79%
Benchmark - NIFTY 500	0.28%	20.96%	75.99%	-27.60%	8.43%

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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This document is dated February 09, 2023.

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