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India Portfolio
Management Services

Stable core.
Strong portfolio.

PGIM INDIA
CORE EQUITY PORTFOLIO

From the desk of Portfolio Manager

Surjitt Singh Arora,
Portfolio Manager

Focusing on Growth at Reasonable Price (GARP) Approach

Dear Investor,

PERFORMANCE RECAP

Our portfolio has declined by 1.1% vs a 2.8% decline for Nifty 500 during the month of Feb'23, thereby outperforming by ~170bps. Our overweight stance on Autos, Industrials and Retail aided our performance for the month. The stocks which outperformed were Maruti Suzuki, Cummins India, 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 11.9% vs 1.5% return for Nifty 500, outperforming the benchmark by ~10.4%. 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.

The portfolio outperformed the index mostly due 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 above mentioned thought process in mind.

ADDITIONS TO THE PORTFOLIO

Mphasis: Strong traction in Direct business channel (95% of revenues), high exposure to North America (82% of revenues) vs Europe (likely to see a sharper slowdown) and ability to win large deals more consistently seen over past few quarters are the key positives for the stock. Healthy Total Contract Value (TCV) of deal wins and a strong non-BFSI pipeline will aid growth. The downside risk is from timelines for conversion to revenues, which can get elongated in an uncertain macro. Valuations have become reasonable post the recent correction.

Nestle: Nestle is one of the best long-term plays in the rapidly growing India packaged foods industry as it offers a combination of (1) healthy volume+ premiumization-led top-line growth and (2) potential margin expansion. The processed food industry is seeing healthy growth, led by government schemes to incentivize the industry. Nestle is driving penetration through localized offerings and is launching value & premium products at affordable prices to capture millennial & adolescents in the age group of 10- 19 years.

PORTFOLIO OUTLOOK

Higher inflation and interest rates, resurfacing of geopolitical issues and increasing risk of EL Nino in 2023 have impacted the markets and valuations have corrected. On a 1 year forward basis, NIFTY trades at ~19x earnings vs long term average of 17.5x and the premium to long term average has seen some moderation. While India continues to trade at a premium to some of its peers, we reckon the premium is justified given the healthy earnings growth prospects.

India seems to be on balanced path of asset creation led growth without overlooking fiscal prudence. The multiplier effect of asset formation should reap in economic benefits in the long term. Hence India is in a sweet spot and can see multi-year growth based on this phenomenon assuming the asset creation exercise continues. High frequency indicators like GST collection, peak power demand, recovery in Air Travel, PV, CV, Housing, Capital Goods and improving capacity utilisation are showing healthy signs and we expect things to improve when broader economic headwinds abate. While there are short term issues of consumption slowdown especially on the rural side, flaring up of inflation, rate hike cycle seeing elongation and high current account deficit, we are mindful of them, and we believe this situation would also lead to emergence of interesting opportunities for investing and allow for bottoms up stock picking for healthy alpha generation.

We are positive on Industrials, Autos and Building Materials. We have increased our weight in Information Technology (IT) sector and have now equal weight on the sector vs underweight earlier. 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 February 28th, 2023

Date of Purchase	Equity	Sector	%
Nov-2022	Maruti Suzuki India Ltd	Consumer Discretionary	7.03%
Jul-2013	VST Tillers Tractors Ltd	Industrials	6.36%
Dec-2021	Astral Ltd	Industrials	6.05%
Sep-2021	Phoenix Mills Ltd	Real Estate	4.69%
Aug-2013	Cummins India Ltd	Industrials	4.68%
Sep-2021	Timken India Ltd	Industrials	4.41%
Aug-2017	P I Industries Ltd	Materials	4.40%
Sep-2022	Escorts Kubota Ltd	Industrials	4.38%
May-2018	Bharat Electronics Ltd	Industrials	4.30%
Oct-2017	Power Grid Corporation Of India Ltd	Utilities	4.27%
May-2014	Infosys Ltd	Information Technology	4.18%
Aug-2022	Eicher Motors Ltd	Consumer Discretionary	4.12%
Apr-2014	Crisil Ltd	Financials	4.09%
Sep-2015	State Bank Of India	Financials	3.89%
Dec-2019	Vardhman Textiles Ltd	Consumer Discretionary	3.86%
	Total		**70.71%**

Portfolio Details as on February 28th, 2023

Weighted average RoCE	19.63%
Portfolio PE (FY2024E)	26.61
Portfolio dividend yield	1.21%
Average age of companies (Years)	50

Portfolio Composition as on February 28th, 2023

Large Cap	36%
Mid Cap	44%
Small Cap	17%
Cash	3%

Large Cap: Market cap of the 100th company in the Nifty 500 (sorted by market cap in descending order) as on February 28th, 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 February 28th, 2023

Small Cap: Market cap lower than the 250th company in the Nifty 500 (sorted by market cap in descending order) as on February 28th, 2023

PGIM India Core Equity Portfolio - Performance as on February 28th, 2023

Period	Portfolio	NIFTY 500	NIFTY 50
1 Month	-1.14%	-2.79%	-2.03%
3 Months	-6.02%	-8.95%	-7.75%
6 Months	-1.64%	-5.26%	-2.56%
1 Year	11.91%	1.47%	3.04%
2 Years	15.01%	9.18%	9.14%
3 Years	18.26%	16.29%	15.61%
5 Years	8.94%	9.41%	10.52%
Since inception date 08/07/2013	14.71%	12.82%	11.86%
Portfolio Turnover*	48.02%		

*Portfolio Turnover ratio for the period March 1st, 2022 to February 28th, 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 February 28th, 2023

	Current Year April 1, 2022 to February 28, 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	6.13%	24.45%	53.25%	-23.66%	3.79%
Benchmark - NIFTY 500	-2.52%	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 March 09, 2023. C253/2022-23