PGIM
India Portfolio
Management Services

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Large tomorrow.

PGIM INDIA
PHOENIX PORTFOLIO

From the desk of Portfolio Manager

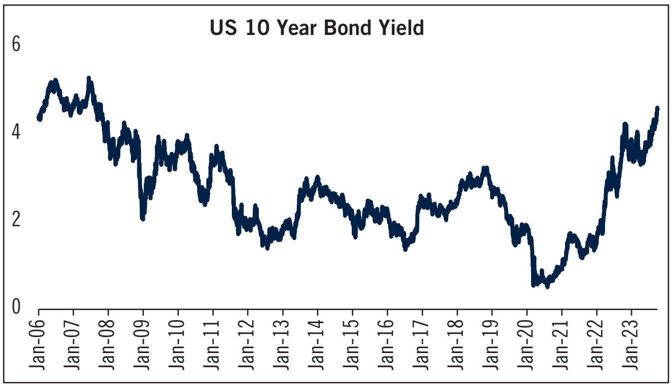
Surjitt Singh Arora,
Portfolio Manager

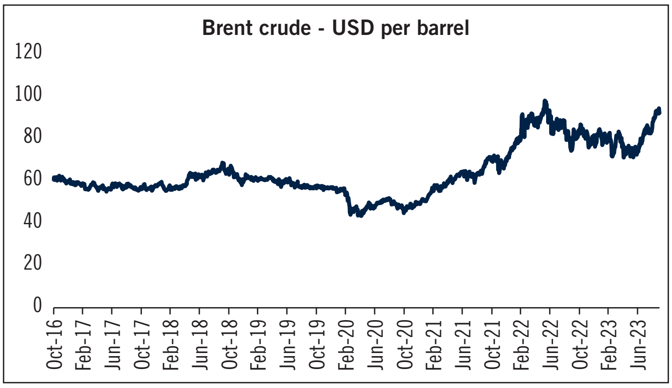
Stock selection and allocation, a key to portfolio construction

PORTFOLIO OUTLOOK

In the near-term, market focus would shift towards the general election schedule in 2024. As we approach closer to the date, we could see increased market volatility due to speculation about the election outcome. We are of the view that these are transient factors and would advise investors to look past these factors to benefit from the long-term India growth story. We continue with our positive stance on the Indian equity market from a medium to longer term perspective.

We have created cash position of more than 10.0% given the increasing risk to Global Equities highlighted below :





Source : Bloomberg

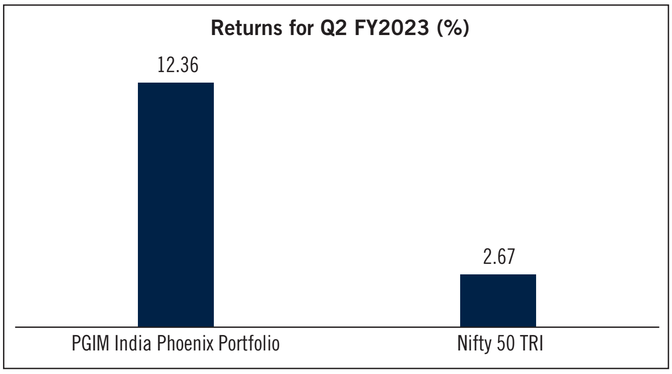
a) US 10-year Treasury yield trading around levels last seen in 2007, as investors fretted over the potential for tighter Federal Reserve monetary policy for longer than expected

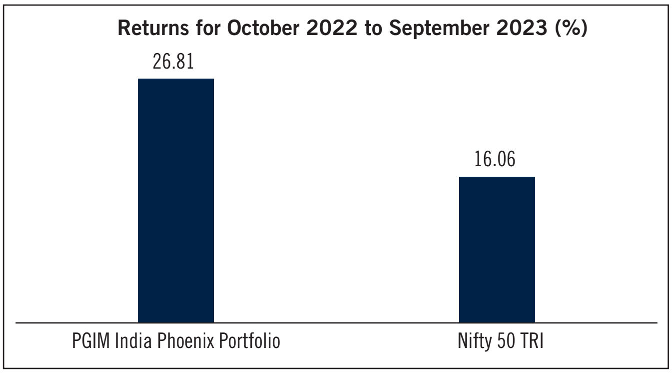
b) Brent Crude is up 25% since June 2023 thanks to the prospect of more production cuts by leading oil exporters.

With global economies seeing growth slowdown in an inflationary environment and uncertain geo-political situation, India appears favourably placed due to its relatively higher GDP growth rate and moderating inflation outlook. Higher proportion of working-age population, rising household income and stable Government policy will act as structural growth drivers for the economy. With focus on continuous asset creation, benign policy environment, prudent fiscal management and improved global perception, India stands out. Corporate India by and large is expected to see strong earnings growth on the back of this structural demand outlook coupled with its strong balance-sheet.

The portfolio comprises about ~62% of small cap stocks and ~22% of mid-cap stocks. We continue to remain Overweight on recovery plays i.e. Building Materials, Real Estate, Healthcare and Industrials sector. We have an allocation of ~17.0% in Healthcare Sector and a ~12.0% allocation to stocks belonging to the house of Tatas. We believe that investors with a 3 to 5-year view would benefit from investing in the current scenario.

PORTFOLIO OUTLOOK





Our portfolio delivered a return of 12.36% vs 2.67% return for Nifty50 TRI during the quarter ended Sept'23. Our portfolio outperformed the Index by ~969bps on account of our overweight stance on Consumer Discretionary, Healthcare and Real Estate Sector and underweight position on Financials. The stocks which aided our performance were Mrs. Bectors' Foods, Indian Hotels, J.B. Chemicals, P&G Health, Carborundum Universal and Oberoi Realty. This was partially negated by the underperformance of Greenply Industries.

For the one year period ending Sep 2023, the portfolio delivered a return of 26.81% vs 16.06% for Nifty50 TRI, thereby outperforming by ~10.75%. The portfolio outperformed the index mostly on stock selection in Real Estate, Pharma and an overweight in Industrials and IT sector. The outperformers were Phoenix Mills, KPIT Technologies, Mrs Bectors' Foods, J.B. Chemicals, C.E. Infosystems, Carborundum Universal and Indian Hotels. The underperformers were Greenply, and P&G Health.

The outperformance should be considered in the light of lower Beta i.e. 0.49 vs benchmark (Nifty50 TRI). At the same time, the Sharpe ratio of the strategy is 2.25 vs 1.50 for Nifty50. The portfolio offered good risk-adjusted returns.

From the desk of Portfolio Manager

WHAT'S IN AND WHAT'S OUT

Entry	Exit
1. **Artemis Medicare:** Artemis Medicare Services Limited established Artemis Hospital in 2007, the first hospital in Gurugram to get accredited by JCI and NABH. It offers advanced medical and surgical interventions, inpatient and outpatient services using modern technology. Artemis is a ~540 bed hospital based in Gurugram with plans to add ~250 beds over next 3 years. The incremental revenue expected from the expansion may come at a higher margin as expansion in medical staff and other expenses will be proportionately less than revenue. 2. **Sandhar Technologies:** Sandhar Technology is a multi-faceted auto ancillary player supplying diverse range of products across automotive segments. It has a well-diversified product portfolio including safety and security systems, sheet metal components, cabin and fabrication, aluminium die casting and assemblies division. Its customer portfolio consists of 80 Indian and global OEMs and 5 key customers. 3. **C E Infosystems (MapmyIndia):** The company is a niche player and a pioneer in the Indian market in the field of maps and associated industry. MapmyIndia's long runway of growth is underpinned by 1) strong growth in the underlying industry, 2) increasing market share led by favourable geospatial policy, 3) ability to provide a differentiated solution-based approach catering to various industry segments such as automotive, consumer, financial and government projects and 4) scale in international market through existing APIs and solutions. Company's recent acquisition of Gtropy, a device-led Software as a Service (SaaS) IoT business, may help drive growth.	1. **Mrs Bectors' Foods:** We booked profits given the run-up by 95% and 29% in 6 months and 3 months respectively as of 30th Sept'23. 2. **RamKrishna Forgings:** We booked profits given the run-up in the stock as it had rallied 2.2x and 45% in 6 months and 3 months respectively as of 30th Sept'23.

TOP HOLDINGS RATIONALE

Name	**Artemis Medicare**
Sector	**Hospitals**
Portfolio holding (as of 31 August 2023)	**8.1%**
Company attributes	• Market Cap (as of 30 September 2023): Rs. 2,154 crore • RoE: 10.33%

Investment Rationale

Artemis Medicare Services Limited established Artemis Hospital in 2007, the first hospital in Gurugram to get accredited by JCI and NABH. It offers advanced medical and surgical interventions, inpatient and outpatient services using modern technology. Artemis is a ~540 bed hospital based in Gurugram with plans to add ~250 beds over next 3 years. The incremental revenue expected from the expansion may come at a higher margin as expansion in medical staff and other expenses will be proportionately less than revenue. Artemis' international patient mix has decreased from 35-40% pre-COVID to 26%, but is expected to improve and positively impact margins.

Apart from the hospital, the company has 9 cardiac care centres, 3 Daffodils centres (specialty centre for mother and Child) and 1 Lite Centre (small neighbourhood hospital). While currently the contribution of the centres is minimal, given the limited capex needed for expansion, the same can be an added kicker if it takes off and hence offers some optionality.

Regulatory intervention, inability to complete bed expansion, inability to scale up asset light initiatives like Dafodils and high competition in the Gurugram region are some of the key risks to the investment thesis.

Name	**VST Tillers Tractors**
Sector	**Automobile OEM**
Portfolio holding (as of 30 September 2023)	**6.9%**
Company attributes	• Market Cap (as of 30 September 2023): Rs. 3,158 crore • RoE: 11.74%

From the desk of Portfolio Manager

Investment Rationale

VST Tillers & Tractors (VSTT) has the capacity to produce 30,000 tractors, of which the company manufactures only 8,000-10,000 units. Management is thus focusing on capacity utilization over market share gains, and is targeting 100% utilization, including production of compact and higher Horsepower (HP) tractors. VSTT has over 75% market share in power tillers in India and is a leader in compact tractor segment.

VST Tillers Tractors is expanding its product line in the higher horsepower space in collaboration with Czech firm Zetor. Its capital expenditure is expected to rise over the next couple of years, with benefits expected to kick in over the following periods. Over the next three years, higher horsepower (HP) is expected to be 20% to 30% of the overall mix. The company has a strong distribution network in South, East and West regions, especially in the small farm mechanization space. Price increases in December 2022 in the compact and higher HP segment are likely to benefit VST's margins.

Market response to the VST-ZETOR range of products and margin trajectory are key risk.

Uneven/deficient monsoons and ability to efficiently scale operations are key risks.

Name	**Sandhar Technologies**
Sector	**Auto Ancillary**
Portfolio holding (as of 30 September 2023)	**5.8%**
Company attributes	• Market Cap (as of 30 September 2023): Rs. 2,446 crore • RoE: 8.20%

Investment Rationale

Sandhar Technology is a multi-faceted auto ancillary player supplying diverse range of products across automotive segments. It has a well-diversified product portfolio including safety and security systems, sheet metal components, cabin and fabrication, aluminium die casting and assemblies division. Its customer portfolio consists of 80 Indian and global OEMs and 5 key customers.

Sandhar stands to remain unaffected by the advent of EVs as none of their main line products are powertrain dependent. It is also a supplier for all existing EV players in the domestic market and is aggressively working in developing EV Power Train products. The company has a strong order book. The company is expected to grow strongly driven by 1) revival in 2W volumes; 2) increase in content per vehicle in the Locks and Mirrors division; 3) ramp up in Aluminum die casting business and 4) strong growth in Cabin and fabrication business led by pick up in construction activities 5) ramp up in capacity of sheet metal business and 6) cost control initiatives. As most of the capex has already been done, the company is targeting to reduce debt over the coming years.

Increase in commodity costs and slowdown in two wheeler segment are key risks.

Name	**Carborundum Universal**
Sector	**Industrials (Abrasives and Ceramics)**
Portfolio holding (as of 30 September 2023)	**5.3%**
Company attributes	• Market Cap (as of 30 September 2023): Rs. 22,367 crore • RoE: 15.97%

Investment Rationale

Carborundum Universal pioneered the manufacture of Coated Abrasives and Bonded Abrasives in India in addition to the manufacture of Super Refractories, Electro Minerals, Industrial Ceramics and Ceramic Fibres. Its integrated operations include mining, power generation, fusion, manufacturing, marketing and distribution. Going forward, the company expects to benefit from market share gains, cost-reduction initiatives, new product development and pricing gains.

Segment wise: In abrasives, improved demand from end-user industries, market share gains through shift from unorganized to organized, and better pricing power may drive overall growth. In ceramics, strong traction in metz cylinders, where the company is a part of a global duopoly, and improved demand environment for refractories may lead to overall growth. We expect demand in refractories segment to also aid in overall growth driven by recovery in end-user demand. An improving demand environment, operating leverage and a better product mix may drive consistent gains in margins for the company. In electrominerals, stabilization of operations post shift of Zirconia facility from South Africa to India and stable performance in Russia may result in operational improvement.

Continued economic slowdown and impact on discretionary spends, higher than expected competitive intensity and non-traction in newer launches leading to margin pressure are key risks.

Name	**C.E. Infosystems Ltd (Map My India)**
Sector	**IT**
Portfolio holding (as of 30 September 2023)	**4.8%**
Company attributes	• Market Cap (as of 30 September 2023): Rs. 10,780 crore • RoE: 21.71%

From the desk of Portfolio Manager

Investment Rationale

The company is a niche player and a pioneer in the Indian market in the field of maps and associated industry. MapmyIndia's long runway of growth is underpinned by 1) strong growth in the underlying industry, 2) increasing market share led by favourable geospatial policy, 3) ability to provide a differentiated solution-based approach catering to various industry segments such as automotive, consumer, financial and government projects and 4) scale in international market through existing APIs and solutions. Company's recent acquisition of Gtropy, a device-led Software as a Service (SaaS) IoT business, may also help drive growth. There is no true comparable for CE Info Systems in the domestic market and hence the company can also command some amount of scarcity premium.

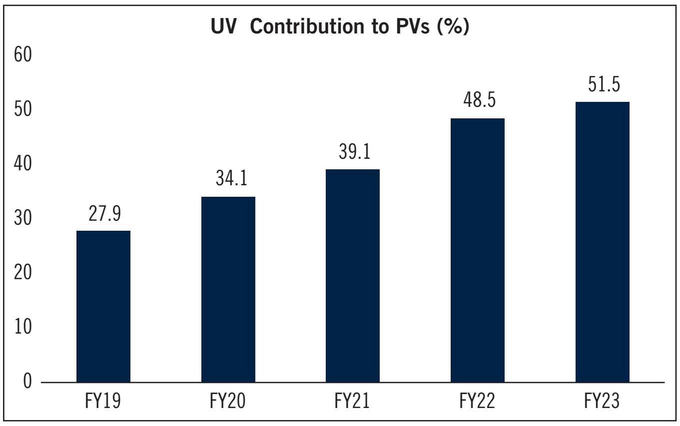
Key risks include client concentration risks, uncertainty over future government regulations, data privacy laws in International markets, intensifying competition from large global players, employee attrition, higher salary costs and expensive or non-core acquisitions.

SECTORAL INSIGHTS

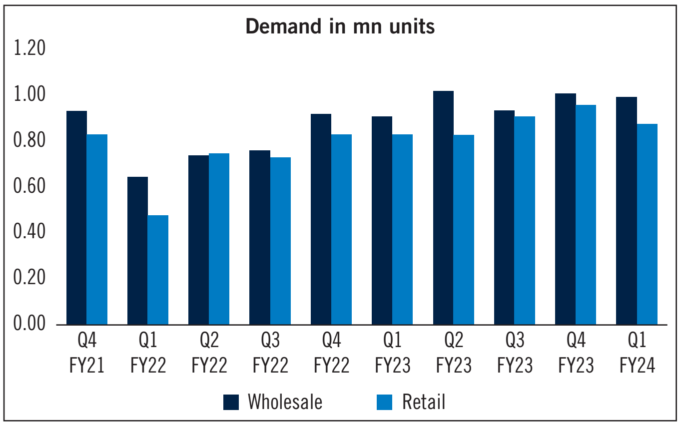
In the first of the sectoral series, we start with Automobiles as a sector where we continue to have a positive stance in our portfolio.

Let us look at the trends playing out in the three sub-sectors of Automobiles:

1. Passenger Vehicles (PV)



Source: SIAM, HSIE Research



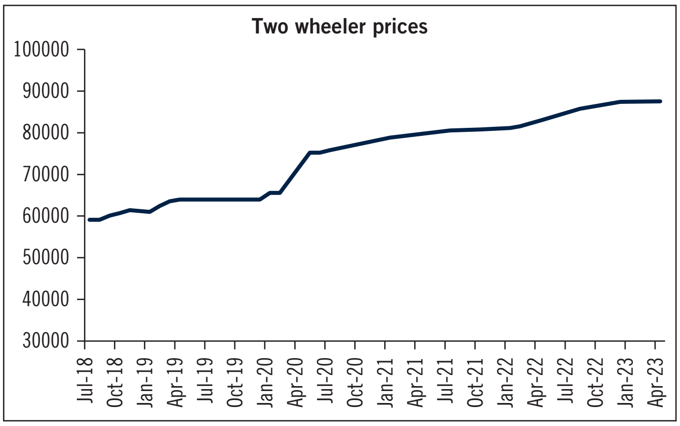
Source: SIAM, HSIE Research

Customer preference is rapidly shifting towards the Utility Vehicle (UV) segment. UV's contribution to PV sales has increased from 28% in FY19 to 51.5% in FY23.

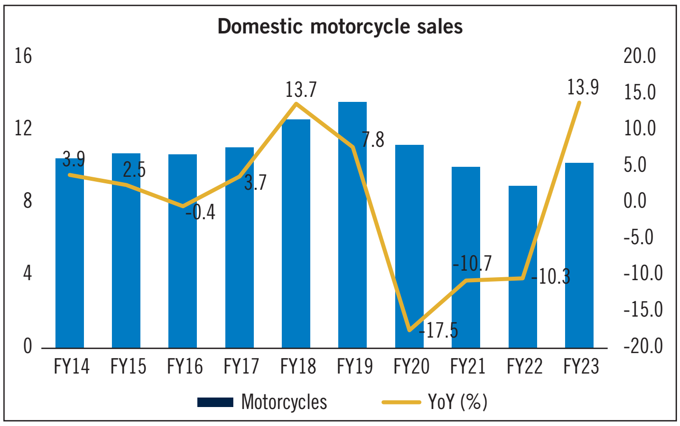
With chip shortage impact gradually waning out, waiting periods for key models are also cooling off.

Sharp increase in cost of acquisition, high fuel prices and rising interest rates would be key risk going forward.

2. Two Wheelers



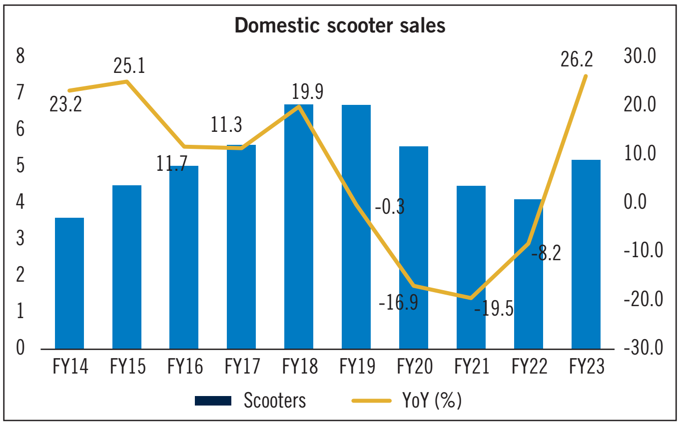
Source: SIAM, HSIE Research



Source: SIAM, HSIE Research

Two wheeler prices have risen 40% over the last 4 years.

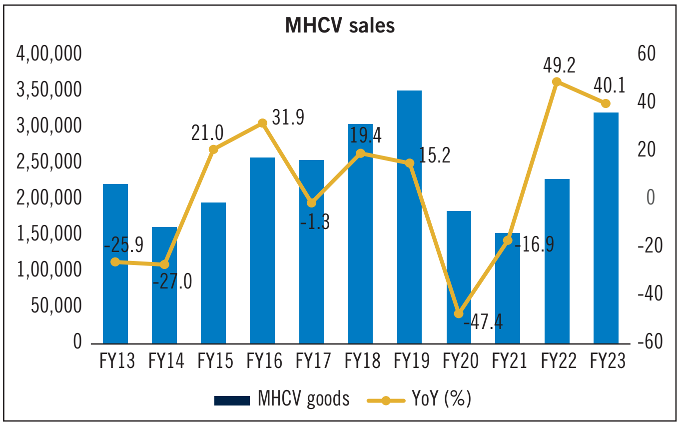
After 3 consecutive years of decline, both motorcycles and scooters rebounded strongly in FY23.



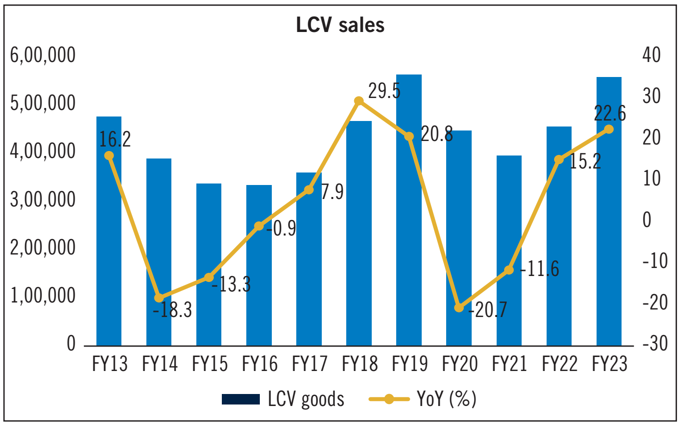
Source: SIAM, HSIE Research

With the advent of Electric Vehicles (EVs), share of scooters has again started inching up

3. Commercial Vehicles



Source: SIAM, ICRA, HSIE Research



Source: SIAM, ICRA, HSIE Research

After hitting a decade low in FY21, the MHCV goods industry saw strong revival in FY22-FY23. Bus segment is leading the growth in CVs in the current fiscal.

LCV goods have recovered to previous peak in FY23 itself

INVESTMENT PROCESS

In this Investment Approach, we use a judicious mix of Structural and Cyclical companies

Structural growth:- India is a developing economy and market. There are a number of businesses which are unorganized and their penetration is very low. Hence, such companies can grow by gaining market share from other players and increased consumption once there is affordability and consumers become more aware. So Real Estate, Pharmaceuticals, IT companies, etc have been a part of this theme. We believe some of tomorrows multi baggers will be from this space and hence, we have bought these companies with a long term perspective.

Cyclical businesses:- There are many companies in the mid and small cap space which are market leaders in their segments and are profitable but cyclical businesses. For instance, companies in Manufacturing, Finance, Auto Ancillaries, Commodities, Textiles sectors etc. The thought here has been to be invested for a period of 3 to 5 years.

Portfolio Details

Top 15 Holdings of PGIM India Phoenix Portfolio as on September 30th, 2023

Date of Purchase	Equity	Sector	%
20-Apr-23	Artemis Medicare Services Ltd	Health Care	8.07%
04-Nov-22	VST Tillers Tractors Ltd	Industrials	6.93%
20-Jun-23	Sandhar Technologies Ltd	Consumer Discretionary	5.80%
07-Aug-18	Carborundum Universal Ltd	Materials	5.27%
22-Jun-23	C E Info Systems Ltd	Information Technology	4.83%
17-Sep-21	Trent Ltd	Consumer Discretionary	4.69%
18-Sep-23	IOL Chemicals And Pharmaceutical Ltd	Health Care	4.63%
11-Oct-21	Tata Consumer Products Ltd	Consumer Staples	4.51%
04-Sep-23	Hawkins Cooker Ltd	Consumer Discretionary	4.49%
24-Aug-22	Sagar Cements Ltd	Materials	4.38%
17-Nov-22	Kajaria Ceramics Ltd	Industrials	4.37%
17-Sep-21	Procter & Gamble Health Ltd	Health Care	4.35%
27-Oct-20	K P R Mill Ltd	Consumer Discretionary	4.16%
28-Sep-21	Phoenix Mills Ltd	Real Estate	3.86%
26-May-23	Creditaccess Grameen Ltd	Financials	3.49%
	Total		**73.83%**

Portfolio Details as on September 30th, 2023

Weighted average RoE (Ex financials)	14.88%
Portfolio PE (FY2025E)	29.08
Portfolio dividend yield	0.40%
Average age of companies (Years)	49
Standard Deviation	10.91%
Sharpe Ratio	2.25
Treynor Ratio	50.59
Jensen Alpha	17.04
Beta	0.49

Portfolio Composition as on September 30th, 2023

Large Cap	9%
Mid Cap	22%
Small Cap	62%
Cash	7%

Large Cap: Market cap of the 100th company in the Nifty 500 (sorted by market cap in descending order) as on September 30th, 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 September 30th, 2023

Small Cap: Market cap lower than the 250th company in the Nifty 500 (sorted by market cap in descending order) as on September 30th, 2023

PGIM India Phoenix Portfolio Performance as on September 30th, 2023

Period	Portfolio	NIFTY 50 (TRI)#
1 Month	2.20%	2.00%
3 Months	12.36%	2.67%
6 Months	31.55%	14.02%
1 Year	26.81%	16.06%
2 Years	16.65%	6.85%
3 Years	33.75%	21.88%
5 Years	15.98%	13.77%
Since inception date 01/08/2016	13.79%	13.52%
Portfolio Turnover*	52.59%	

*Portfolio Turnover ratio for the period October 1st, 2022 to September 30th, 2023.
#w.e.f. April 1, 2023, the benchmark has changed to the Nifty 50 (TRI) from Nifty Smallcap 250 Index.
To view the portfolio's performance relative to other Portfolio Managers, you may click here.

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 - Annual Performance as on September 30th 2023

	Current Year* April 1, 2023 to September 30, 2023	April 1, 2022 to March 31, 2023	April 1, 2021 to March 31, 2022	April 1, 2020 to March 31, 2021	April 1, 2019 to March 31, 2020
PGIM India Phoenix Portfolio (Net of all fees and charges levied by the portfolio manager)	31.55%	3.25%	32.85%	79.87%	-38.70%
Benchmark - NIFTY 50 (TRI)#	14.02%	0.59%	20.26%	72.54%	-25.02%

*Absolute returns for YTD period
#w.e.f. April 1, 2023, the benchmark has changed to the Nifty 50 (TRI) from Nifty Smallcap 250 Index. Performance is calculated on Time Weighted Rate of Return (TWRR) basis.
To view the portfolio's performance relative to other Portfolio Managers, you may click here.

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. 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.

Please note that performance of your portfolio may vary from that of other investors and that generated by the Investment Approach across all investors because of
1) the timing of inflows and outflows of funds; and
2) differences in the portfolio composition because of restrictions and other constraints.

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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