



**PGIM**

India Portfolio  
Management Services

Discovering  
Immense Potential



**PGIM INDIA  
EQUITY PORTFOLIO**





**Surjitt Singh Arora,**  
Portfolio Manager

### A perfect blend of operating leverage and turnaround candidates

Dear Investor,

#### PERFORMANCE RECAP

Our portfolio delivered a return of 5.17% vs. 3.03% return for Nifty 50 TRI index during the month of July 2023. Our portfolio outperformed the Index by ~214 bps on account of our overweight stance on Consumer Discretionary, Auto Ancillary, Healthcare and Chemicals sector. The stocks which aided our performance were Artemis Medicare Services, Ramkrishna Forgings, Jubilant Foodworks, Maruti Suzuki, and Radico Khaitan. This was partially negated by the underperformance of Jubilant Ingrevia and Aarti Industries.

The portfolio inception date is 19th Jan, 2023. Since inception, the portfolio has delivered a return of 22.31% vs. 9.45%, thereby outperforming the benchmark by ~12.86%. The portfolio outperformed the index mostly on stock selection in Healthcare Services, Real Estate as well as Consumer Discretionary Sector, and our underweight stance on Industrials, Financials and Information Technology (IT).

#### INVESTMENT PROCESS

The team will consistently focus on companies that can grow their earnings 4-5 years. This is easier said than done, as predictability of earnings over a 5-year period is reasonably challenging. The portfolio construction process shall entail a framework, where the probability of this happening is more likely. In this investment approach, we use a judicious mix of operating leverage and turnaround candidates.

##### Operating leverage:

- Our focus will be on companies that are entailing capital expenditure or are more or less done with it.
- Increased gross block will likely lead to increased utilization over the next 3-4 years.
- Increased utilization leads to better topline, and a tight control on costs lead to strong operating leverage playing out in terms of a swing in profitability.

##### Turnarounds:

- Our endeavour will be to buy good businesses at the bottom of a cycle.
- Good businesses are the ones that have demonstrated strong cashflows and have a clean balance sheet over their history.
- At the bottom of the cycle, near-term profitability is impaired. This leads to subdued stock prices and valuations. As earnings start coming back over the next 3-4 years, these companies are likely, not only to see stocks returns in tandem with earnings recovery, but also the chance of a PE expansion, if bought at subdued valuations.
- To ensure that these turnarounds work both sectors and stocks payout, the focus will be on turnarounds where:
  - Historical cashflows have been strong (60-70% positive operating cashflow generation through the history).
  - Balance sheets are clean, hence debt servicing is not an issue.

##### As a process, we manage the downside risk by taking into account the following parameters

- Positive operating cashflows for at least 60% of the business history.
- Low leveraged balance sheets (Net debt: Equity < 2).
- No major corporate governance issues in the past

#### PORTFOLIO OUTLOOK

The 1QFY24 aggregate earnings so far have been in line with consensus estimates. Once again, the earnings growth was propelled by domestic cyclicals, such as Banking & Financial Services (BFSI) and Auto. Nifty 50 made all-time high in July 2023, and trades at 19x FY24E EPS and 16x FY25E which is 5-7% premium to historical averages. Earnings growth expectations for Nifty 50 in FY24-25E remains strong at 11% and 17% YoY for FY24E and FY25E (Source: Bloomberg). And with inflation print remaining low, regulator could start cutting rates in this year itself.

In the near-term, market focus would shift towards the general election scheduled 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 see consumption and manufacturing spearheading India's growth led by demographics, higher per capita income and penetration, with exports remaining a longer term but invaluable growth driver. We are positive on Healthcare, Consumer Discretionary, and Real Estate. We continue to remain underweight on Financials and Information Technology (IT) sectors. We continue with our positive stance on the Indian equity market from a medium to longer term perspective.

## Portfolio Details

### Top 15 Holdings of PGIM India Equity Portfolio as on July 31, 2023

Date of Purchase	Equity	Sector	%
12-Apr-23	Artemis Medicare Services Ltd	Health Care	8.47%
15-Feb-23	Ramkrishna Forgings Ltd	Materials	5.66%
01-Feb-23	Max Financial Services Ltd	Financials	5.58%
05-Jul-23	NTPC Ltd	Utilities	5.43%
14-Feb-23	Kajaria Ceramics Ltd	Industrials	4.89%
14-Feb-23	Creditaccess Grameen Ltd	Financials	4.87%
02-Feb-23	Radico Khaitan Ltd	Consumer Staples	4.84%
26-Jun-23	Syngene International Ltd	Health Care	4.82%
01-Feb-23	Oberoi Realty Ltd	Real Estate	4.15%
14-Jun-23	Kirloskar Pneumatic Company Ltd	Industrials	4.10%
21-Mar-23	HDFC Asset Management Company Ltd	Financials	3.95%
14-Feb-23	Cholamandalam Investment And Finance Company Ltd	Financials	3.87%
20-Jan-23	Maruti Suzuki India Ltd	Consumer Discretionary	3.65%
20-Jan-23	Jubilant Foodworks Ltd	Consumer Discretionary	3.05%
19-Jun-23	Balkrishna Industries Ltd	Consumer Discretionary	2.79%
	<b>Total</b>		<b>70.12%</b>

### Portfolio Details as on July 31st, 2023

Weighted average RoE	13.40%
Portfolio PE (FY2025E)	22.40
Portfolio dividend yield	0.49%
Average age of companies (Years)	39

### Portfolio Composition as on July 31st, 2023

Large Cap	13%
Mid Cap	36%
Small Cap	41%
Cash	10%

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

**Small Cap:** Market cap lower than the 250th company in the Nifty 500 (sorted by market cap in descending order) as on July 31st, 2023

### PGIM India Equity Portfolio Performance as on July 31st, 2023

Period	Portfolio	NIFTY 50 (TRI)#
1 Month	5.17%	3.03%
3 Months	19.01%	9.91%
6 Months	22.12%	12.55%
Since inception date 19/01/2023	22.31%	9.45%

#w.e.f. April 1, 2023, the benchmark has changed to the Nifty 50 (TRI) from Nifty 500 TRI. The portfolio is live from Jan 2023 and thus the performance is shown for 1 and 3 months period. To view the portfolio's performance relative to other Portfolio Managers, you may [click here](#).

### PGIM India Equity Portfolio - Annual Performance as on July 31st, 2023

	Current Year* April 1, 2023 to July 31, 2023
PGIM India Equity Portfolio (Net of all fees and charges levied by the portfolio manager)	23.16%
Benchmark - NIFTY 50 (TRI)#	14.42%

\*Absolute returns for YTD period.

#w.e.f. April 1, 2023, the benchmark has changed to the Nifty 50 (TRI) from Nifty 500 TRI.

Performance is calculated on Time Weighted Rate of Return (TWRR) basis. The portfolio is live from Jan 2023 and thus the performance is shown for 1 and 3 months period.

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 Equity Portfolio based on all the client portfolios under PGIM India Equity 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.

**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 Equity 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 Equity Portfolio:** PGIM India Equity Portfolio seeks to achieve long term capital appreciation by investing in equity and equity related instruments across market capitalization. However, there can be no assurance that the investment objective will be achieved.

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