



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 9.15% vs 3.70% for the Nifty50 TRI during the month of June '23. Our portfolio outperformed the Index by ~545bps on account of our overweight stance on Consumer Discretionary, Auto Ancillary, Healthcare and Chemicals Sectors. The stocks which aided our performance were Artemis Medicare Services, RamKrishna Forgings, Jubilant Foodworks, Maruti Suzuki, and Bharat Rasayan. This was partially negated by the underperformance of Ashok Leyland and Aarti Industries.

The portfolio inception date is 19th January 2023. Since inception, the portfolio has delivered a return of 16.35% vs 6.23% for the Nifty 50 TRI, thereby outperforming the benchmark by ~10.12%. The portfolio outperformed the index mostly on stock selection in Healthcare Services, Real Estate as well as Consumer Discretionary Sectors 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 in 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 endeavor 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, to not only see stock returns in tandem with earnings recovery, but also the chance of a PE expansion, if bought at subdued valuations.
- To ensure that these turnarounds, both sectors and stocks play out, the focus will be on turnarounds where:
 - Historical cashflows have been strong (60-70% positive Operating Cash Flow generation through the history)
 - Balance sheets are clean, hence debt servicing may not be 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 Indian market has seen a broad rally in the past few months but headline indices have seen more modest performance. We are not very clear about the reasons for the rally and the divergent performance. India's continued weak consumption demand should be negative for smaller companies while the improved macro in the form of lower inflation and CAD should have been more favorable for the performance of large and mid-caps based on better top-down view of India among foreign investors.

In the near-term, the 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.

With global economies seeing a growth slowdown in an inflationary environment and uncertain geo-political situation, India appears favorably placed due to its relatively higher GDP growth rate and moderating inflation outlook. A higher proportion of working-age population, rising household income and stable government policy will act as structural growth drivers for the economy. With a 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.

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 Industrials, Autos and Building Materials. We have increased our weight in Information Technology (IT) sector and are now equal weight on the sector vs underweight earlier. We continue to believe that investors with a 3-to-5-year view may benefit from investing in the current scenario.

Portfolio Details

Top 15 Holdings of PGIM India Equity Portfolio as on June 30th, 2023

Date of Purchase	Equity	Sector	%
12-Apr-23	Artemis Medicare Services Ltd	Health Care	9.77%
01-Feb-23	Max Financial Services Ltd	Financials	5.57%
25-Jan-23	Route Mobile Ltd	Information Technology	5.20%
15-Feb-23	Ramkrishna Forgings Ltd	Materials	5.03%
14-Feb-23	Cholamandalam Investment And Finance Company Ltd	Financials	4.76%
14-Jun-23	Kirloskar Pneumatic Company Ltd	Industrials	4.21%
20-Jan-23	Maruti Suzuki India Ltd	Consumer Discretionary	4.18%
14-Feb-23	Creditaccess Grameen Ltd	Financials	4.07%
14-Feb-23	Kajaria Ceramics Ltd	Industrials	4.05%
20-Jan-23	Jubilant Foodworks Ltd	Consumer Discretionary	3.92%
02-Feb-23	Radico Khaitan Ltd	Consumer Staples	3.70%
17-Apr-23	Aarti Industries Ltd	Materials	3.47%
01-Feb-23	Oberoi Realty Ltd	Real Estate	3.42%
17-Apr-23	Jubilant Ingrevia Ltd	Materials	3.12%
14-Feb-23	Bharat Rasayan Ltd	Materials	2.87%
	Total		67.34%

Portfolio Details as on June 30th, 2023

Weighted average RoE	14.06
Portfolio PE (FY2025E)	19.57
Portfolio dividend yield	0.46%
Average age of companies (Years)	35

Portfolio Composition as on June 30th, 2023

Large Cap	9%
Mid Cap	33%
Small Cap	50%
Cash	8%

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

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

PGIM India Equity Portfolio Performance as on June 30th, 2023

Period	Portfolio	NIFTY 50 (TRI)#
1 Month	9.10%	3.70%
3 Months	17.12%	11.06%
Since inception date 19/01/2023	16.30%	6.23%

#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 June 30th 2023

	Current Year* April 1, 2023 to June 30, 2023
PGIM India Equity Portfolio (Net of all fees and charges levied by the portfolio manager)	17.12%
Benchmark - NIFTY 50 (TRI)#	11.06%

*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.

Disclaimers and risk factors: PGIM India Asset Management Private Limited is registered with SEBI (Portfolio Managers) Regulations, 1993 [as repealed and superseded by SEBI (Portfolio Managers) Regulations, 2020] (Registration No: INP000006952). This Document is for information purpose only. This Document and the Information do not constitute a distribution, an endorsement, an investment advice, an offer to buy or sell or the solicitation of an offer to buy or sell any securities/ schemes or any other financial products/investment products (collectively "Products") mentioned in this Document or an attempt to influence the opinion or behavior of the Investors/Recipients. Any use of the information contained herein for investment related decisions by the Investors/ Recipients is at their sole discretion & risk. Please read the Disclosure Document and the agreement along with the related documents carefully before investing. Investments in Products are subject to market risks, various micro and macro factors and forces affecting the capital markets and include price fluctuation risks. There is no assurance or guarantee/ warranty that the objectives of any of the Products will be achieved. The investments may not be suited to all categories of Investors/ Recipients. Investors/ Recipients must make their own investment decisions based on their own specific investment objectives, their financial position and using such independent professional advisors, as they believe necessary, before investing in such Products. The Client can avail the Portfolio Management Services directly from the Portfolio Manager without any recourse to distributors.

©2023 Prudential Financial, Inc. (PFI) and its related entities. PGIM, the PGIM logo, and the Rock symbol are service marks of Prudential Financial, Inc., and its related entities, registered in many jurisdictions worldwide.

This document is strictly confidential and meant for private & restricted circulation only and should not at any point of time be construed to be an invitation for subscribing to PGIM India Equity Portfolio. The document is solely for the understanding of intended recipient and if you are not the intended recipient, you are hereby notified that any use, distribution, reproduction or any action taken or omitted to be taken in reliance upon the same is prohibited and may be unlawful. This document is dated July 14, 2023.

C69/2023-24