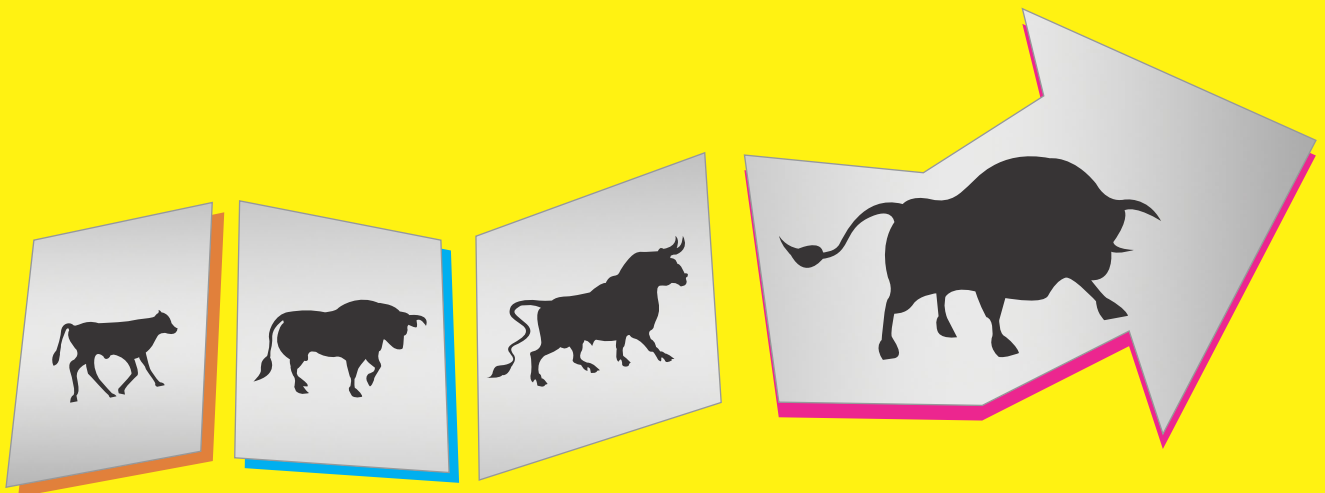


MONTHLY Communique

As on 28th February 2022



BUY RIGHT : SIT TIGHT

Buying quality companies and riding their growth cycle

THINK EQUITY
THINK MOTILAL OSWAL

MOTILAL OSWAL
Asset Management
PORTFOLIO STRATEGY

BUY RIGHT
SIT TIGHT



Navin Agarwal
MD & CEO - Motilal Oswal AMC)



Dear Investors & Partners

Happy New Year to you and your family!

Life takes one more step forward as we usher in the year 2022. The year 2021 witnessed a transition from the complete lockdown restrictions imposed in the global economy, markets and our everyday life in 2020. True to being transitory, though 2021 brought hopes and signs of revival in business activity and economic momentum, it was plagued with its own set of problems. The mayhem caused by different Covid-19 variants along with supply chain bottlenecks deeply afflicted human lives and business activities.

Unprecedented monetary and fiscal support globally as well as in India to tackle the crisis created a situation of excess liquidity, which induced a strong rally in global assets. Equities, especially, continued to gain momentum. Another encouraging trend that evolved over 2021-22 was the advent of retail investors as the most potent force in equity markets both globally and in India.

Excess global liquidity, signs of corporate earnings recovery, low interest rate regime and a strong participation by retail investors enabled the markets to reasonably withstand persistent FII selling in 4Q21, amid all the Covid-related headwinds.

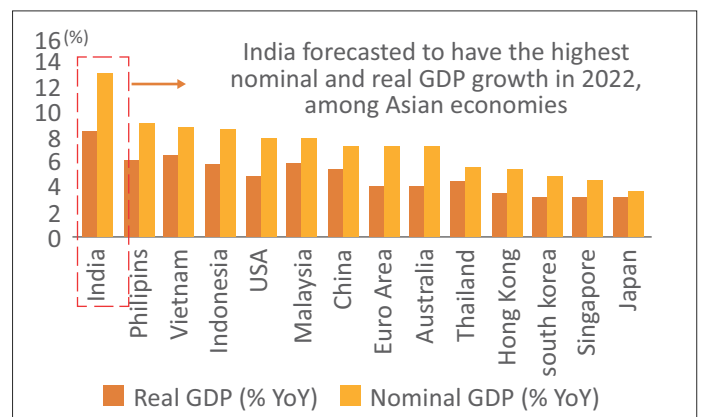
Actively managed equity funds came back with a vengeance and added strong alpha during the year. The Large Cap, Mid Cap, Small Cap and Flexi Cap categories delivered strong returns of 26.54%, 44.94%, 63.04%, and 32.08%, respectively. The Nifty-50 and Nifty-500 delivered 24.12% and 30.19% returns, respectively. Underpinned by strong returns, the share of equity-oriented schemes shot up to 48.0% of the industry assets in Nov'21 from 39.7% in Nov'20.

“In the midst of chaos, there is also opportunity” — Sun Tzu

We believe India has entered into a phase of cyclical upturn and may witness a repeat of the economic upcycle similar to 2003-2010, with the fastest GDP growth among Asian countries.

As global population moves towards the herd immunity led by vaccinations and the Omicron variant, we may see the pandemic being transformed into an endemic over the next few months. As markets open up and Covid-induced bottlenecks ebb, we expect a revival in both demand and

exports. With supply bottlenecks also alleviating steadily, India is well poised to truly capitalize on the China+1 opportunity.



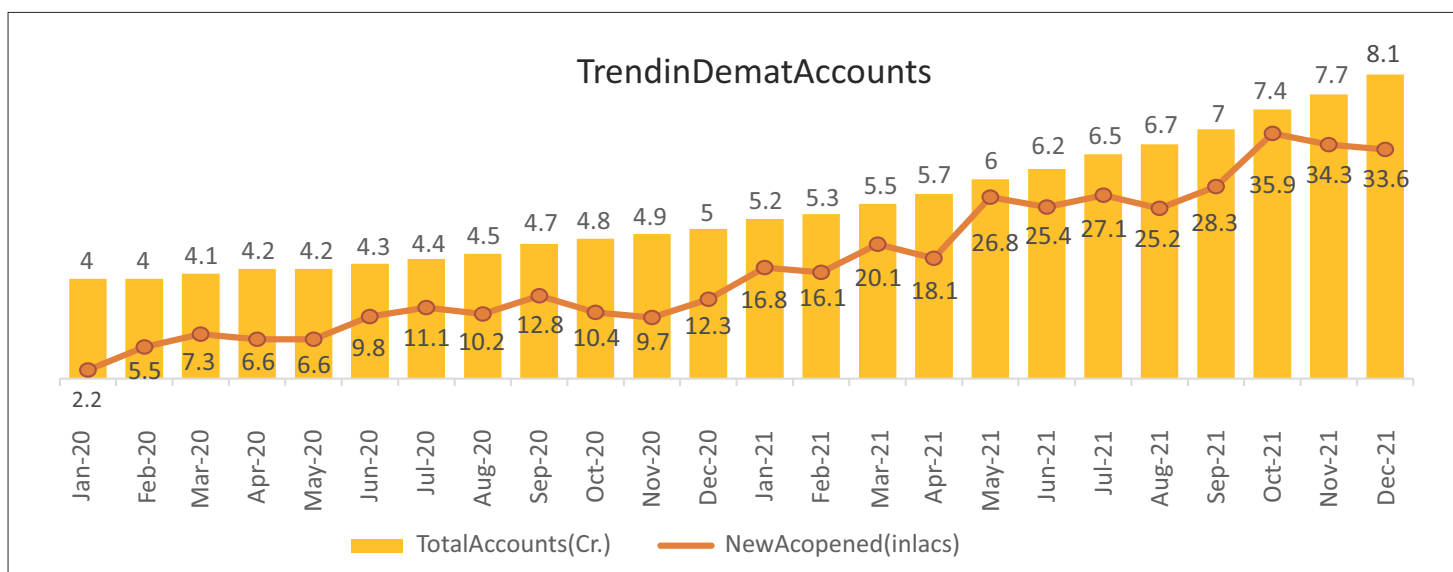
Source: IMF, Factset, Jefferies

Cleaner and well-capitalized bank balance sheets, deleveraged corporate balance sheets, a long-lasting revival in housing sector and a growth supportive monetary policy offer a prime setup for a durable economic and corporate earnings upcycle. The government's recent initiatives on PLI and earlier corporate tax reforms have already laid the ground for it. We anticipate the government to support growth further in the upcoming Union Budget 2022.

Buoyed by the economic upcycle, return on equity for listed companies may hit the 12.5% mark in FY22 – the highest in last seven years. We also expect an uptick in corporate risk appetite for private capacity expansion by the year end.

However, likely rise in interest rates and a decline in market liquidity in FY22 may raise some eyebrows on company valuations. Increasing interest rates with moderate rise in inflation, albeit, could be great for capital formation, commodities and financial companies.

On the market front, retail participation will continue to gain in strength. Who could have in one's wildest dreams imagined that the number of demat accounts that took decades to cross the 3cr number in Mar-18 have now crossed the 8cr mark.

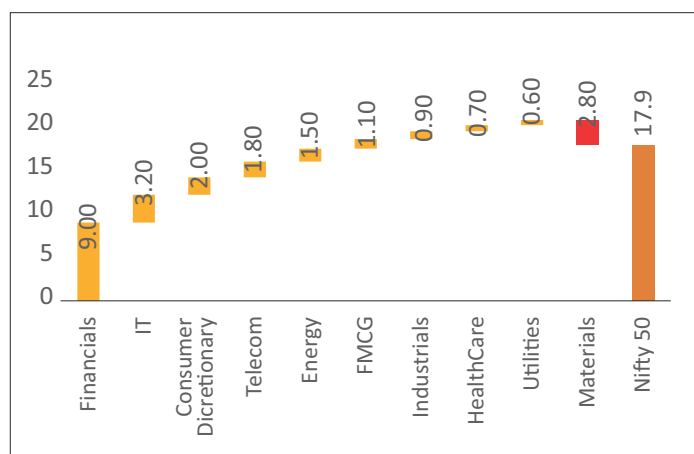


Source: MOSL

Having said that we believe 2022 will be the year of selectivity. Compared with the broad-based rally last year, we expect 2022 to be conducive for bottom-up focused stock selection. We are positive on Financials, Discretionary Consumption and Technology Sectors and expect them to outperform in 2022.

Large banks are very well placed on credit quality front. Such banks have cleaner balance sheets after provisioning, have seen strong gains in market share v/s their PSU and weaker private sector counterparts and are available at reasonable valuations in the context of improving credit growth and emerging asset quality cycle. We believe domestic insurance companies will offer a long runway of strong growth and prefer them over the consumer staples companies as structural bets on India's doubling of GDP to USD 6bn in the coming decade from USD 3bn at present.

We are also bullish on the discretionary consumption segment due to its projected strong demand growth trend.



Source: Factset, Jefferies

A large portion of this growth is likely to come from release of pent-up demand backed by improved mobility, gradual lifting of restrictions, extended store open time, and greater penetration of modern trade. The beneficiaries would include autos, building material & home improvement, durables, etc.

Incremental impacts of economic growth and wealth accretion on lifestyles always reflect in a disproportionate, non-linear growth on discretionary spends. Within discretionary also similar trends reflect on the premium products/services in respective segments.

Digitization, which saw multiple IPOs of new age tech companies, is expected to remain one of the predominant themes playing into the next year also. Digitization has also benefited traditional Indian IT companies; helping them grow at a faster pace in several years.

As India moves forward towards the coveted mark of USD6tn economy, our flagship PMS strategy – Motilal Oswal Next Trillion Dollar Opportunity – is all set to capitalize on the wealth creation, which follows such a shift. The strategy is specifically targeted to capture the uptrend.

Our mutual fund offerings – especially our flagship fund Motilal Oswal Flexi Cap Fund and also Motilal Oswal Large and Midcap Funds – are poised for long-term growth opportunity. For investors seeking tax benefits along with a growth-oriented portfolio, Motilal Oswal Long Term Equity Fund combines both the objectives.

In sum, markets and portfolio management styles go through cycles similar to our everyday life. We expect markets to incrementally reward the focused style of investing with price sensitivity for companies that are poised to contribute in the upcoming economic revival. Our investment process QGLP (Quality, Growth, Longevity and Price) is expected to help us capture the upside in the most optimum way.

Look forward to our continued partnership in the journey of wealth creation!

Disclaimer:

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Investments in securities market are subject to market risks, read all relevant documents carefully.

Value Strategy

Investment Objective

The Strategy aims to benefit from the long term compounding effect on investments done in good businesses, run by great business managers for superior wealth creation. Value is a large cap* oriented strategy where investments are made with long term perspective with industry leaders.

*The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy

Portfolio Holdings

Particulars	% Allocation
Icici Bank Ltd.	11.43
Max Financial Services Ltd.	8.77
Larsen & Toubro Ltd.	6.02
H C L Technologies Ltd.	5.85
Hdfc Bank Ltd.	5.75
SBI Cards And Payment Services Ltd.	5.70
Bharti Airtel Ltd.	5.15
Sbi Life Insurance Company Ltd.	4.79
Home First Finance Company India Ltd.	4.16
Tube Investment Of India Ltd.	3.93
Dr. Reddy's Laboratories Ltd.	3.86
Thermax Ltd.	3.61
United Spirits Ltd.	3.28
V I P Industries Ltd	3.02
Hindustan Unilever Ltd.	2.87
Muthoot Finance Ltd.	2.71
G R Infraprojects Ltd.	2.40
Maruti Suzuki India Ltd.	2.31
Infosys Ltd.	2.07
Mahindra & Mahindra Ltd.	1.94
Kotak Mahindra Bank Ltd.	1.88
Lic Housing Finance Ltd.	1.88
Au Small Finance Bank Ltd	1.87
Jubilant Foodworks Ltd.	1.15
Go Fashion Ltd.	0.78
Religare Enterprises Ltd.	0.25
Fsn E-commerce Ventures Ltd.	0.24

Data as on 28th February 2022

Details

Fund Manager	: Shrey Loonker
Co-Fund Manager	: Susmit Patodia
Strategy Type	: Open ended
Date of Inception	: 18th February 2003
Benchmark	: Nifty 50 TRI
Investment Horizon	: 3 Years +

Sectors

Particulars	% Allocation
Banking	20.92
NBFC	14.44
Non-Lending Financials	13.81
Construction Project	8.42
Auto & Auto Ancillaries	8.18
Software	7.92
Consumer Discretionary	7.45
Telecom - Services	5.15
Pharmaceuticals	3.86
Industrial Capital Goods	3.61
Consumer Staples	2.87
Retail	1.01
Cash & Cash Equivalents	2.34

Data as on 28th February 2022

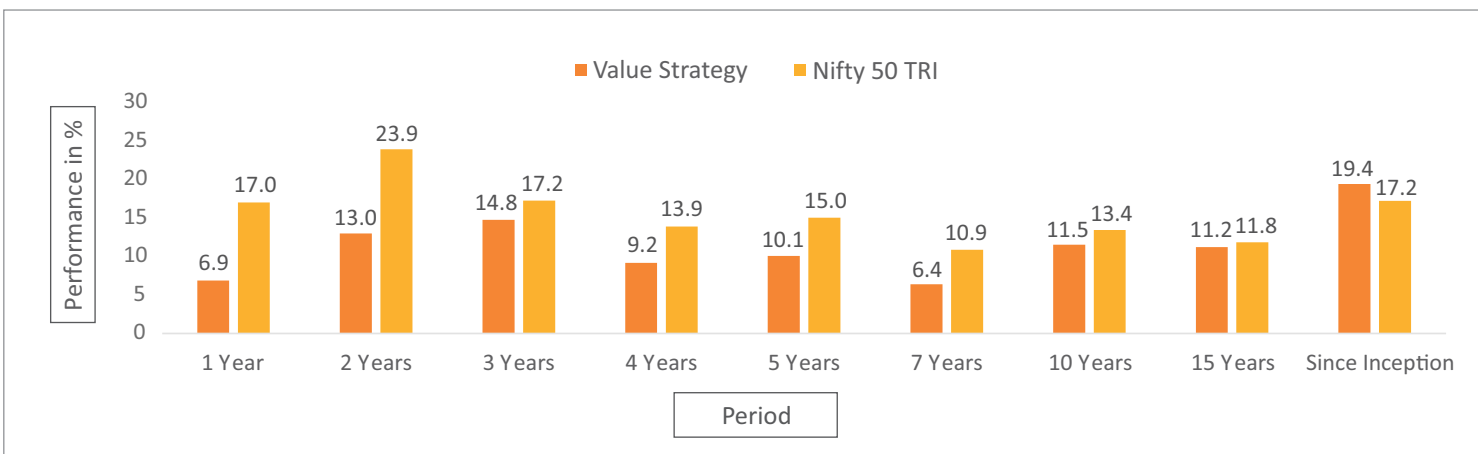
Market Capitalization

Market Capitalization	% Equity
Large cap	67.0
Mid cap	22.5
Small cap	8.2
Cash & Cash Equivalents	2.3

Key Portfolio Analysis

Performance Data (Since Inception)	Value	Nifty 50
Standard Deviation (%)	18.7%	19.1%
Beta	0.9	1.0

Data as on 28th February 2022



Value Strategy Inception Date: 18th Feb 2003; Data as on 28th February 2022; Data Source: MOAMC Internal Research; Please Note: Returns up to 1 year are absolute & over 1 year are Compounded Annualized. Returns calculated using Time Weighted Rate of Return (TWRR) at an aggregate strategy level. The performance related information is not verified by SEBI. All portfolio related holdings and sector data provided above is for model portfolio. Returns & Portfolio of client may vary vis-à-vis as compared to Investment Approach aggregate level returns due to various factors viz. timing of investment/ additional investment, timing of withdrawals, specific client mandates, variation of expenses charged & dividend income. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.

Next Trillion Dollar Opportunity Strategy

Investment Objective

The Strategy aims to deliver superior returns by investing in stocks from sectors that can benefit from the Next Trillion Dollar GDP growth. It aims to predominantly invest in Small and Mid Cap stocks* with a focus on identifying potential winners that would participate in successive phases of GDP growth. Focus is on businesses benefitting from growth in GDP.

*The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy

Portfolio Holdings

Particulars	% Allocation
ICICI Bank Ltd.	10.29
L&T Technology Services Ltd.	9.13
Kotak Mahindra Bank Ltd.	8.02
Voltas Ltd.	6.94
Page Industries Ltd.	6.03
Max Financial Services Ltd.	5.25
Tech Mahindra Ltd.	5.00
Gland Pharma Ltd.	4.94
Eicher Motors Ltd.	4.15
Ipca Laboratories Ltd.	3.67
State Bank of India	2.96
ITC Ltd.	2.78
Godrej Industries Ltd.	2.62
Larsen & Toubro Infotech Ltd.	2.61
Emami Ltd.	2.59
Bosch Ltd.	2.53
Container Corporation of India Ltd.	2.35
Clean Science and Technology Ltd.	2.31
Bharat Forge Ltd.	2.08
Hindustan Petroleum Corporation Ltd.	2.04
Cummins India Ltd.	1.88
Tata Consultancy Services Ltd.	1.77
Larsen & Toubro Ltd.	1.55
Birla Corporation Ltd.	1.43
Vedant Fashions Ltd.	1.35
Alkem Laboratories Ltd.	1.34
Aegis Logistics Ltd.	1.31
Bayer CropScience Ltd.	1.26

Data as on 28th February 2022

Details

Fund Manager	: Manish Sonthalia
Strategy Type	: Open ended
Date of Inception	: 03 rd August 2007
Benchmark	: Nifty 500 TRI
Investment Horizon	: 3 Years +

Sectors

Particulars	% Allocation
Banking	21.27
Software	18.51
Consumer Discretionary	12.96
Pharmaceuticals	9.96
Auto & Auto Ancillaries	8.76
Consumer Staples	5.37
Non-Lending Financials	5.25
Chemicals	3.57
Oil & Gas	3.35
Others	2.62
Transportation	2.35
Industrial Products	1.88
Construction Project	1.55
Cement	1.43
Retail	1.35
Cash & Cash Equivalents	-0.18

Data as on 28th February 2022

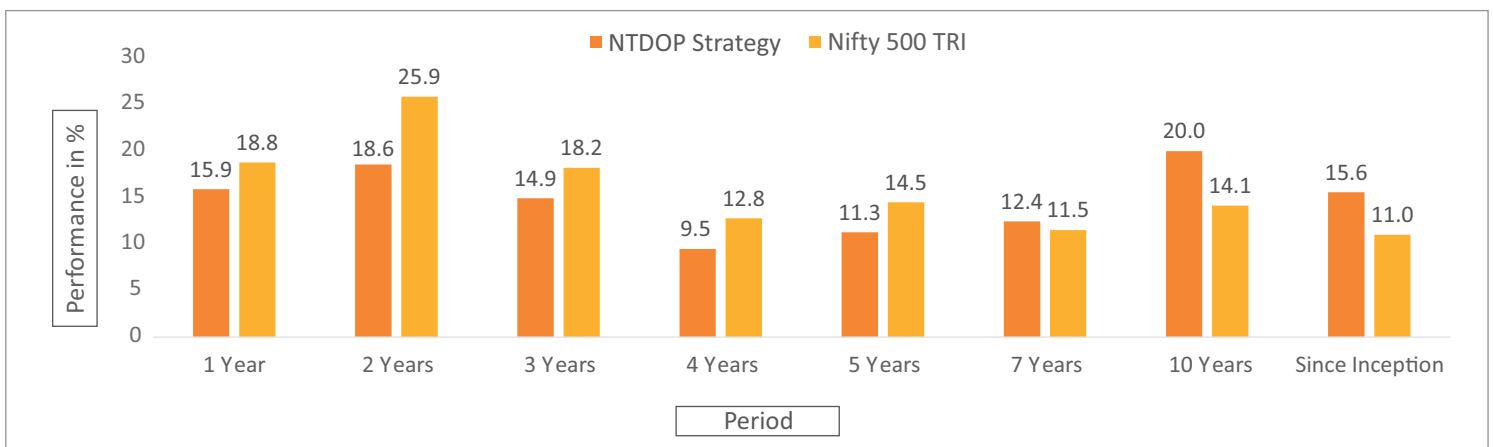
Market Capitalization

Market Capitalization	% Equity
Large cap	44.1
Mid cap	53.4
Small cap	2.7
Cash & Cash Equivalents	-0.2

Key Portfolio Analysis

Performance Data (Since Inception)	Value	Nifty 50
Standard Deviation (%)	17.5%	18.3%
Beta	0.9	1.0

Data as on 28th February 2022



NTDOP Strategy Inception Date: 3rd Aug 2007; Data as on 28th February 2022; Data Source: MOAMC Internal Research; Please Note: Returns up to 1 year are absolute & over 1 year are Compounded Annualized. Returns calculated using Time Weighted Rate of Return (TWRR) at an aggregate strategy level. The performance related information is not verified by SEBI. All portfolio related holdings and sector data provided above is for model portfolio. Returns & Portfolio of client may vary vis-à-vis as compared to Investment Approach aggregate level returns due to various factors viz. timing of investment/ additional investment, timing of withdrawals, specific client mandates, variation of expenses charged & dividend income. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.

India Opportunity Portfolio Strategy

Investment Objective

The Strategy aims to generate long term capital appreciation by creating a focused portfolio of high growth stocks having the potential to grow more than the nominal GDP for next 5-7 years across market capitalization and which are available at reasonable market prices. The strategy is for investors who are keen to generate wealth by participating in India's growth story over a period of time.

The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy

Portfolio Holdings

Particulars	% Allocation
Kajaria Ceramics Ltd.	9.63
VIP Industries Ltd.	8.80
Can Fin Homes Ltd.	5.93
Gland Pharma Ltd.	5.12
Central Depository Services (India) Ltd.	5.01
Birla Corporation Ltd.	4.86
Blue Star Ltd.	4.56
ICICI Securities Ltd.	4.17
Supriya Lifescience Ltd.	4.13
SBI Life Insurance Company Ltd.	3.93
Max Financial Services Ltd.	3.83
Mastek Ltd.	3.82
Angel One Ltd.	3.79
Persistent Systems Ltd.	3.14
Ipca Laboratories Ltd.	2.99
Century Plyboards (India) Ltd.	2.93
Birlasoft Ltd.	2.67
Globus Spirits Ltd.	2.50
Clean Science and Technology Ltd.	2.39
Prince Pipes and Fittings Ltd.	2.19
KEI Industries Ltd.	1.97
Greaves Cotton Ltd.	1.89
Blue Dart Express Ltd.	1.69
TTK Prestige Ltd.	1.28
Emami Ltd.	1.02
Gabriel India Ltd.	0.99
Aegis Logistics Ltd.	0.13

Data as on 28th February 2022

Details

Fund Manager	: Mr. Manish Sonthalia
Strategy Type	: Open ended
Date of Inception	: 15th Feb. 2010
Benchmark	: Nifty Smallcap 100 TRI
Investment Horizon	: 3 Years +

Sectors

Particulars	% Allocation
Consumer Discretionary	17.58
Non-Lending Financials	16.94
Pharmaceuticals	12.24
Construction	9.63
Software	9.62
NBFC	5.93
Cement	4.86
Industrial Products	3.85
Capital Markets	3.79
Consumer Staples	3.52
Chemicals	2.39
Industrial Capital Goods	2.19
Transportation	1.69
Auto & Auto Ancillaries	0.99
Oil & Gas	0.13
Cash & Cash Equivalents	4.66

Data as on 28th February 2022

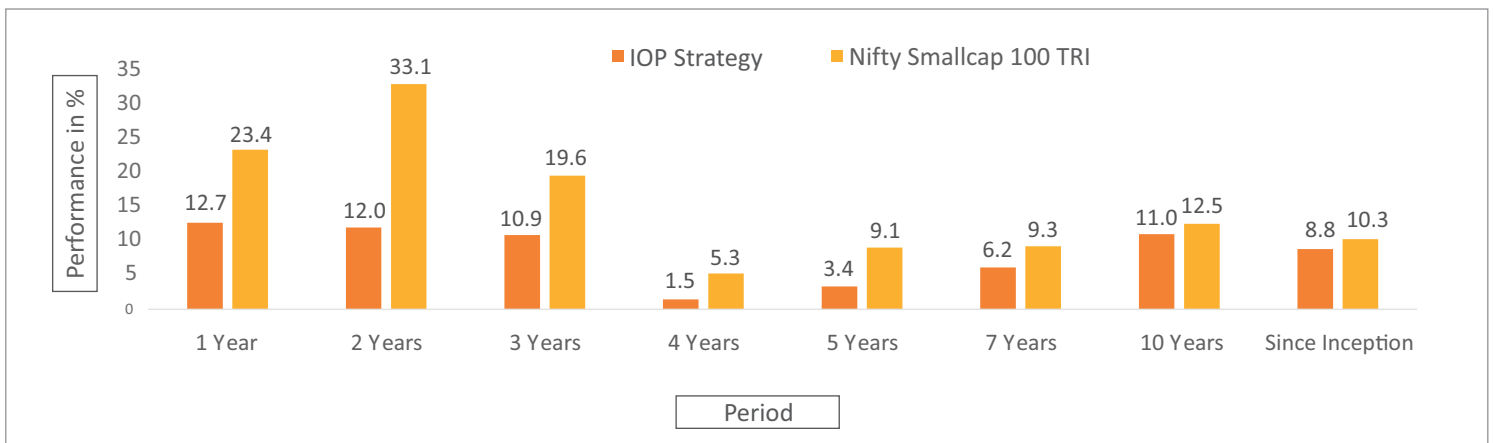
Market Capitalization

Market Capitalization	% Equity
Large cap	9.1
Mid cap	27.2
Small cap	59.1
Cash & Cash Equivalents	4.7

Key Portfolio Analysis

Performance Data (Since Inception)	Value	Nifty 50
Standard Deviation (%)	18.1%	20.3%
Beta	0.8	1.0

Data as on 28th February 2022



IOP Strategy Inception Date: 15th Feb 2010; Data as on 28th February 2022; Data Source: MOAMC Internal Research; Please Note: Returns up to 1 year are absolute & over 1 year are Compounded Annualized. Returns calculated using Time Weighted Rate of Return (TWRR) at an aggregate strategy level. The performance related information is not verified by SEBI. All portfolio related holdings and sector data provided above is for model portfolio. Returns & Portfolio of client may vary vis-à-vis as compared to Investment Approach aggregate level returns due to various factors viz. timing of investment/ additional investment, timing of withdrawals, specific client mandates, variation of expenses charged & dividend income. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.

India Opportunity Portfolio Strategy V2

Investment Objective

The Strategy aims to deliver superior returns by investing in stocks from sectors that can benefit from India's emerging businesses. It aims to predominantly invest in Small and Midcap stocks* with a focus on identifying potential winners. Focus on Sectors and Companies which promise a higher than average growth.

*The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy

Portfolio Holdings

Particulars	% Allocation
VIP Industries Ltd.	8.68
Kajaria Ceramics Ltd.	7.11
Can Fin Homes Ltd.	6.08
Birla Corporation Ltd.	5.46
Gland Pharma Ltd.	5.13
Central Depository Services (India) Ltd.	4.97
Century Plyboards (India) Ltd.	4.30
Blue Star Ltd.	4.27
Supriya Lifescience Ltd.	4.13
ICICI Securities Ltd.	4.07
Mastek Ltd.	3.92
SBI Life Insurance Company Ltd.	3.92
Max Financial Services Ltd.	3.91
Angel One Ltd.	3.77
Persistent Systems Ltd.	3.21
KEI Industries Ltd.	3.19
Ipca Laboratories Ltd.	3.03
Birlasoft Ltd.	2.68
Globus Spirits Ltd.	2.53
Clean Science and Technology Ltd.	2.50
Prince Pipes and Fittings Ltd.	2.19
Greaves Cotton Ltd.	1.88
Blue Dart Express Ltd.	1.75
TTK Prestige Ltd.	1.24
Emami Ltd.	1.15
Gabriel India Ltd.	0.51

Data as on 28th February 2022

Details

Fund Manager	: Mr. Manish Sonthalia
Strategy Type	: Open ended
Date of Inception	: 5th Feb. 2018
Benchmark	: Nifty Smallcap 100 TRI
Investment Horizon	: 3 Years +

Sectors

Particulars	% Allocation
Consumer Discretionary	18.49
Non-Lending Financials	16.87
Pharmaceuticals	12.29
Software	9.82
Construction	7.11
NBFC	6.08
Cement	5.46
Industrial Products	5.07
Capital Markets	3.77
Consumer Staples	3.68
Chemicals	2.50
Industrial Capital Goods	2.19
Transportation	1.75
Auto & Auto Ancillaries	0.51
Cash & Cash Equivalents	4.40

Data as on 28th February 2022

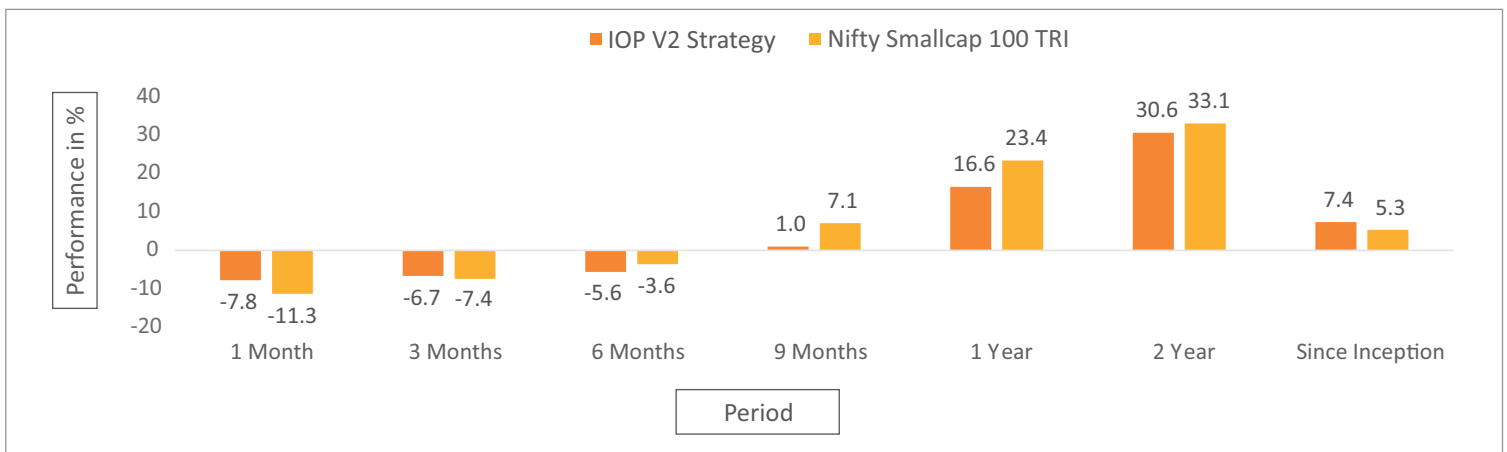
Market Capitalization

Market Capitalization	% Equity
Large cap	9.1
Mid cap	25.0
Small cap	61.6
Cash & Cash Equivalents	4.4

Key Portfolio Analysis

Performance Data (Since Inception)	Value	Nifty 50
Standard Deviation (%)	18.8%	20.3%
Beta	0.8	1.0

Data as on 28th February 2022



IOP V2 Strategy Inception Date: 5th Feb 2018; Data as on 28th February 2022; Data Source: MOAMC Internal Research; Please Note: Returns up to 1 year are absolute & over 1 year are Compounded Annualized. Returns calculated using Time Weighted Rate of Return (TWRR) at an aggregate strategy level. The performance related information is not verified by SEBI. All portfolio related holdings and sector data provided above is for model portfolio. Returns & Portfolio of client may vary vis-à-vis as compared to Investment Approach aggregate level returns due to various factors viz. timing of investment/ additional investment, timing of withdrawals, specific client mandates, variation of expenses charged & dividend income. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.

Business Opportunities Strategy

Investment Objective

The investment objective of the Strategy is to achieve long term capital appreciation by primarily investing in equity & equity related across market capitalization. It aims to predominantly invest in emerging themes with focus on themes like affordable housing, agricultural growth, GST and value migration from PSU banks to Private Sector Banks. The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy

Details

Fund Manager : Mr. Manish Sonthalia
Associate Fund Manager : Mr. Atul Mehra
Strategy Type : Open ended
Date of Inception : 18th Dec. 2017
Benchmark : Nifty 500 TRI
Investment Horizon : 3 Years +

Portfolio Holdings

Particulars	% Allocation
ICICI Bank Ltd.	13.56
Max Financial Services Ltd.	12.50
Tata Consultancy Services Ltd.	11.08
HDFC Bank Ltd.	9.59
Kotak Mahindra Bank Ltd.	9.22
Larsen & Toubro Infotech Ltd.	8.80
Axis Bank Ltd.	6.21
The Phoenix Mills Ltd.	5.59
Maruti Suzuki India Ltd.	5.00
Eicher Motors Ltd.	4.96
Blue Star Ltd.	4.94
HDFC Life Insurance Company Ltd.	4.81
Safari Industries (India) Ltd.	3.97

Data as on 28th February 2022

Sectors

Particulars	% Allocation
Banking	38.59
Software	19.87
Non-Lending Financials	17.31
Auto & Auto Ancillaries	9.96
Consumer Discretionary	8.91
Construction	5.59
Cash & Cash Equivalents	-0.22

Data as on 28th February 2022

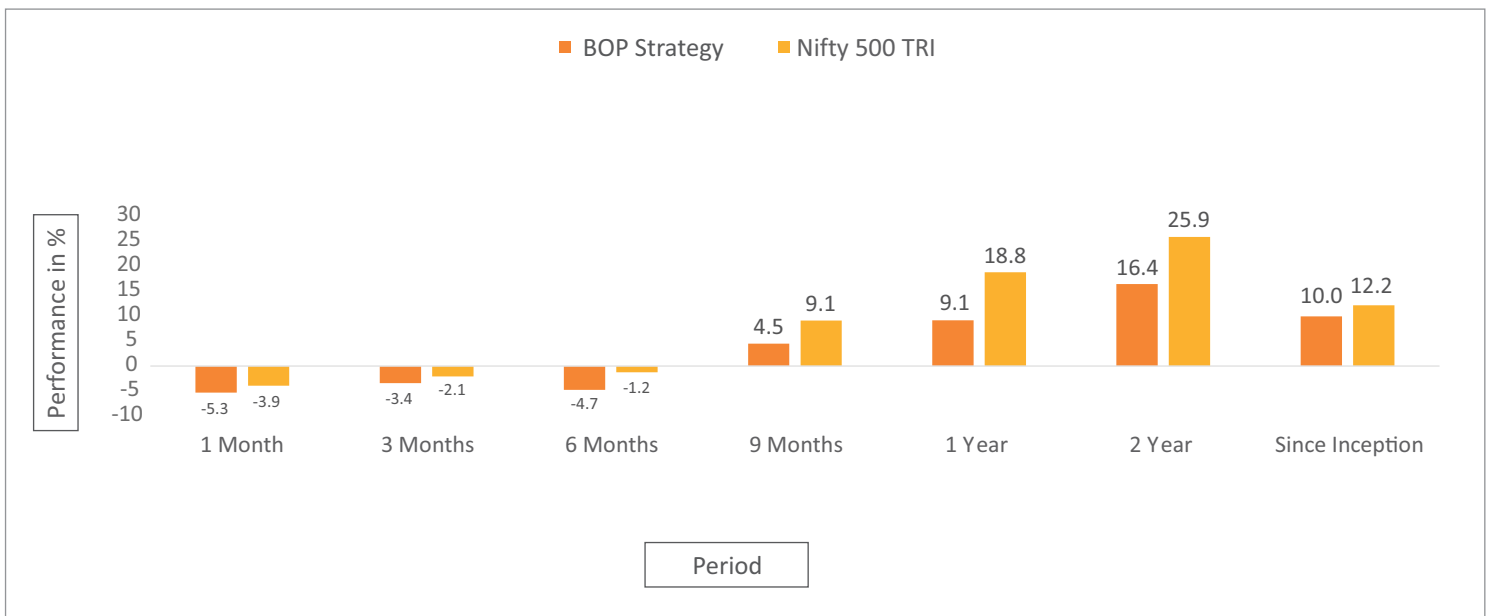
Key Portfolio Analysis

Performance Data (Since Inception)	Value	Nifty 50
Standard Deviation (%)	18.1%	18.3%
Beta	0.9	1.0

Data as on 28th February 2022

Market Capitalization

Market Capitalization	% Equity
Large cap	73.2
Mid cap	12.5
Small cap	14.5
Cash & Cash Equivalents	-0.2



BOP Strategy Inception Date: 16th Jan 2018; Data as on 28th February 2022; Data Source: MOAMC Internal Research; Please Note: Returns up to 1 year are absolute & over 1 year are Compounded Annualized. Returns calculated using Time Weighted Rate of Return (TWRR) at an aggregate strategy level. The performance related information is not verified by SEBI. All portfolio related holdings and sector data provided above is for model portfolio. Returns & Portfolio of client may vary vis-à-vis as compared to Investment Approach aggregate level returns due to various factors viz. timing of investment/ additional investment, timing of withdrawals, specific client mandates, variation of expenses charged & dividend income. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.

Focused Midcap Strategy

Investment Objective

Majority of weights for investments to be drawn from stocks in 101st to 400th companies in terms of full market capitalization. Minority weights for investment might also be drawn from stocks beyond number 400 and from top 100 companies in terms of full market capitalization. As far as possible Companies should be drawn from a mix of sectors representing changing nature of society and economics in India.

The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy

Portfolio Holdings

Particulars	% Allocation
Angel One Ltd.	7.30
Globus Spirits Ltd.	6.79
APL Apollo Tubes Ltd.	6.44
Amber Enterprises India Ltd.	6.35
Persistent Systems Ltd.	5.81
Gland Pharma Ltd.	5.68
Max Financial Services Ltd.	5.42
Polycab India Ltd.	5.35
SUPRIYA LIFESCIENCE Ltd.	5.23
L&T Technology Services Ltd.	5.11
SBI Life Insurance Company Ltd.	4.78
Mastek Ltd.	4.43
Dixon Technologies (India) Ltd.	4.33
Prince Pipes and Fittings Ltd.	4.32
ICICI Securities Ltd.	3.75
Ajanta Pharma Ltd.	3.60
Astec LifeSciences Ltd.	3.54
Tata Consumer Products Ltd.	2.90
Emami Ltd.	2.29
Zomato Ltd.	1.24
Fino Payments Bank Ltd.	1.09

Data as on 28th February 2022

Details

Fund Manager	: Mr. Rakesh Tarway
Strategy Type	: Open ended
Date of Inception	: 24th Dec. 2019
Benchmark	: NIFTY MidSmall400 TRI
Investment Horizon	: 3 Years +

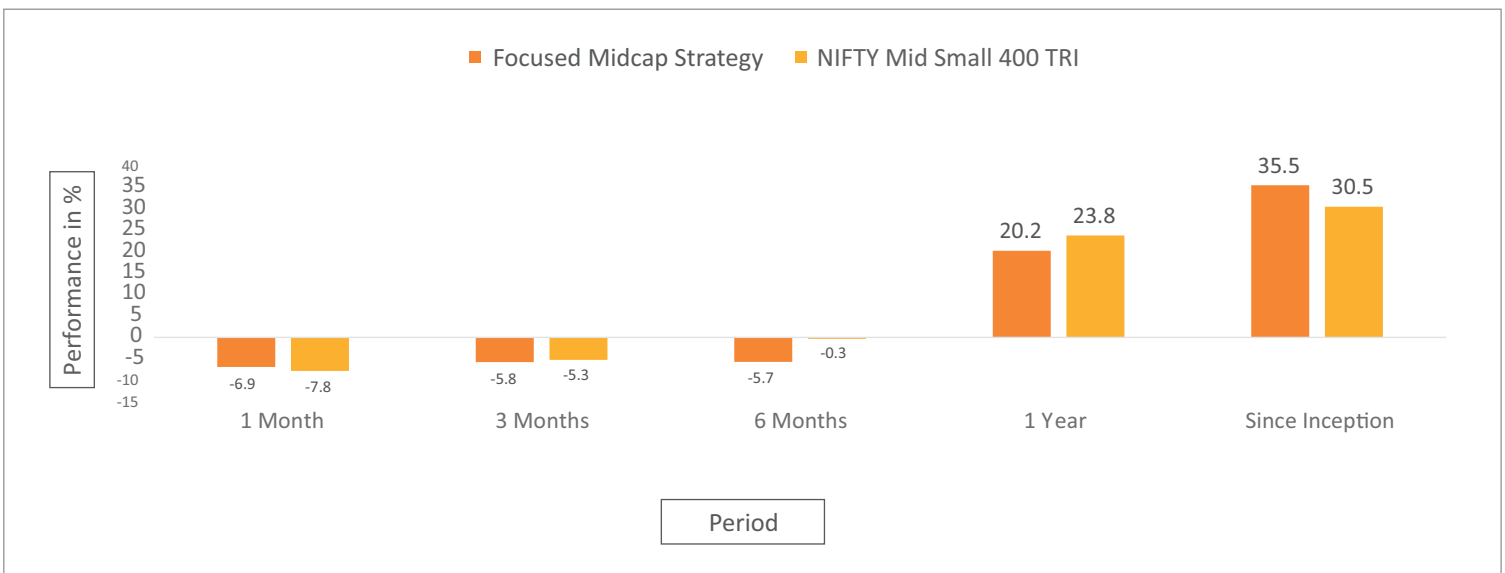
Sectors

Particulars	% Allocation
Software	15.34
Pharmaceuticals	14.51
Non-Lending Financials	13.95
Consumer Staples	11.98
Consumer Discretionary	10.68
Capital Markets	7.30
Metals and Mining	6.44
Industrial Products	5.35
Industrial Capital Goods	4.32
Pesticides	3.54
Technology	1.24
NBFC	1.09
Cash & Cash Equivalents	4.23

Data as on 28th February 2022

Market Capitalization

Market Capitalization	% Equity
Large cap	14.6
Mid cap	42.1
Small cap	39.1
Cash & Cash Equivalents	4.2



FMS Strategy Inception Date: 24th Dec 2019; Data as on 28th February 2022; Data Source: MOAMC Internal Research; RFR: 7.25%; Please Note: Returns up to 1 year are absolute & over 1 year are Compounded Annualized. Returns calculated using Time Weighted Rate of Return (TWRR) at an aggregate strategy level. The performance related information is not verified by SEBI. All portfolio related holdings and sector data provided above is for model portfolio. Returns & Portfolio of client may vary vis-à-vis as compared to Investment Approach aggregate level returns due to various factors viz. timing of investment/ additional investment, timing of withdrawals, specific client mandates, variation of expenses charged & dividend income. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.

Stock Rationale (quarter ending 31st December 2021)

Value Strategy

Entry Rationale:

Infosys Ltd.

- Infosys has demonstrated that it has successfully integrated the acquisitions it has made in new practice areas like Salesforce and in new geographies like the Nordics. This partly explains the growth outperformance and also reduces risk
- Unlike what we had feared, coming out of the pandemic, IT Services has not faced pricing pressure and cost take out pressure making this unlike the GFC. Application Development & Maintenance is seeing the best growth in the last decade and is expected to continue seeing strong growth
- Infosys has, with the Daimler deal, gained credentials in Infrastructure Management Services and that puts it in a much stronger position to win large integrated deals across Applications and Infrastructure and Cloud Transformation
- Infosys has improved margins by 160bp over the last 8 quarters despite signing several mega deals and we think much of the margin improvement is sustainable
- We expect revenue and profit growth in the mid-teens over the coming 2-3 years and think this will help sustain multiples.
- In addition to the capital appreciation, we expect an annual dividend yield (including buybacks) of 2-3% over the next 2-3 years

Exit Rationale:

Bharat Petroleum Corporation. Ltd.

- Although SG refining margins were at USD6/bbl for 3QFY22, sustenance of the same in lieu of rising COVID cases seems difficult
- Due to increased geo-political tensions at Mozambique, the LNG terminal continues to face inordinate delays. Additionally, there has been no development at E&P block in Brazil, as a result of which the premium that the company used to command over peers, is under threat.
- Due to rise in usage of CNG as well as the threat of EVs, long term volume growth of petrol/diesel is questionable
- There is no clarity on divestment with news suggesting pull-out of one bidder among the three.
- The company trades at 1.7x FY22 PBV, a significant premium compared with IOC trading at 1x and HPCL at 1.2x

HDFC Life Insurance Company Ltd.

- **Stiff base of FY21** – HDFC Life outperformed the sector by adding innovative products. This has resulted in its market share improving to 9.3% in FY21. However, the product launch has slowed down in last two years with no material products being launched. Its stiff base of FY21 and limited product launches will mean its growth will be slower than other listed players (who have weak base of FY21) in FY22.
- **Limited VNB margin expansion levers** – HDFC Life has maxed out margin expansion via product mix changes with share of lowest margin ULIP reduced to 20% in FY21 from 50% in FY16. In addition, the highest margin product – pure protection – is facing growth slowdown on account of re-insurers turning cautious. This means that VNB margin expansion will be slow from here on.
- **Lowest VNB growth among listed peers** – A combination of stiff base of FY21 and limited VNB margin expansion levers, HDFC Life is likely to report the slowest VNB growth among listed players.
- **Exide life acquisition will be VNB dilutive** – Exide life acquisition will reduce merged VNB margin given Exide Life's VNB margin is low single digit versus HDFC Life's VNB margin at ~25%. The acquisition is leading to 4% dilution.
- **Valuation still premium to peers** – HDFC trades at 3.7x FY23E P/EV and 24x FY23E EV PAT multiple. This is 40% premium to other listed peers despite a weaker VNB growth outlook for the company.
- **SBI Life and Max Financial are better bets** – SBI Life has favourable base and has levers to improve VNB margins. SBI Life reported APE growth of 35% YoY for 9MFY22 and is expected to report 45%+ VNB growth for 9M. In addition, it has lowest dependence on pure protection segment (where the growth is the weakest). Max Life's business quality is similar to HDFC Life in terms of product mix, product innovation, distribution mix and digital initiatives. Still it trades at FY23E EV multiple which is 40% discount to HDFC Life.

Stock Rationale (quarter ending 31st December 2021)

■ NTDOP Strategy

Exit Rationale:

Colgate Ltd.

- Booked profit and exited the stock

■ FMS Strategy

Entry Rationale:

Fino Payment Ltd.

- Fino is a physical small payment bank company with presence across India especially among tier 2,3,4 locations. Physical presence of Bank is through outsourced model, which reduces cost of presence quite substantially. Cash transfer despite advent of online mode of money transfer is growing at more than nominal GDP. Physical locations put company in a unique position to capitalize on this trend.
- Expecting PAT of around Rs 120 cr in FY23, which can grow at CAGR of 20% in future. On this metric stock is reasonably valued at around 25x normalized earnings and expect returns in future to match earnings growth.

Supriya Lifescience Ltd.

- Stock has one of the best return ratios and margins in API business. Earnings can double in next 3 years on back of capacity expansion and more revenues coming from regulated markets in new as well as old products. Stock was bought for less than 22x FY22 earnings, which leaves some room for re-rating on top of earnings growth.

Exit Rationale:

Birlasoft Ltd.

- IT Sector weight had gone up to more than 25% in folio, which is not prudent exposure in single sector. Therefore decided to exit 1 stock fully.

■ IOP & IOPv2 Strategy

Entry Rationale:

Globus Spirits Ltd.

- Globus Spirits is an integrated manufacturer of Ethanol/ENA from Grain. It also sells country liquor in states of Rajasthan, Haryana and West Bengal. Currently around 45% of revenues come from country liquor and rest of revenues come from selling ENA/Ethanol.
- The company will benefit from Ethanol Blending Program of GoI, which will payback all its manufacturing units within 3 years. Thereafter, it will have advantage over competition to build a long term B2C liquor business due to own low cost manufacturing units.
- We expect profits of company to grow at the rate of 30% CAGR for next 2-3 years. Company is trading at 17x Trailing Twelve Month earnings, which implies a reasonable valuation as compared to growth prospects in the company.

SBI Life Insurance Company Ltd.

- Leading growth among life insurance companies at 25%+ and valuations are at around 40-45% discount to HDFC. We expect valuation gap to bridge between HDFC Life and SBI Life combined with high growth. Both these factors will lead to quite meaningful return for the stock in next 2-4 years. If a large cap company can grow at a higher rate and valuations are reasonable it is always preferred to buy v/s a small cap company. One also needs some stabilizers in a small cap folio as times are not always same for small caps in India

Birlasoft Ltd.

- In absolute terms Birlasoft is still trading at discount to IT sector as a whole with PEG of around 1.2x and 30x FY22 earnings. We expect earnings growth of 22-24% in next 2-3 years in Birlasoft. Therefore, returns will be in line with earnings growth for Birlasoft going forward

Prince Pipes and Fittings Ltd.

- Prince pipe is a leading manufacturer of PVC pipes and Fittings. It has also got recent tie up with Lubrizol for manufacture of Flowguard Plus brand of CPVC pipes, which will enable better margins and open up a new segment of plumbing pipes. Stock is trading at 30x TTM earnings where growth visibility is around 25% CAGR in earnings for next 3 years due to real estate revival and govt initiatives towards clean water. Therefore, valuations are justified for potential of growth. In that light, adding a new position.

Stock Rationale (quarter ending 31st December 2021)

Supriya Lifescience Ltd.

- Stock has one of the best return ratios and margins in API business. Earnings can double in next 3 years on back of capacity expansion and more revenues coming from regulated markets in new as well as old products. Stock was bought for less than 22x FY22 earnings, which leaves some room for re-rating on top of earnings growth.

Angel One Ltd.

- It is only digital only broker in the listed space. Investing is a call on continuing addition of clients and increase in penetration of Demat/Trading accounts in country. Stock trades at 25x TTM earnings and expect an earnings growth higher than 25% for the next 3 years.

Mastek Ltd.

- Mastek Ltd (Mastek) offers data, apps, cloud services to public and private enterprise in the UK, US, Middle East, Asia Pacific & India.
- The company's recent acquisition of Evosys has enabled Mastek to provide end to end solution and improve margins from ~14% to 21%
- Net debt free and healthy double digit return ratio (with RoCE of 20%)

Exit Rationale:

Sundram Fasteners Ltd.

- Not very positive on Auto currently.

ITD Cementation Ltd.

- Possible Value trap with 8x PE FY24 & has a small weight in the portfolio , so won't lead to meaningful outcome.

Bayer Cropscience Ltd.

- Small weight in portfolio

HEG Ltd.

- Possible Value trap with 6x PE FY24 & has a small weight in the portfolio , so won't lead to meaningful outcome.

Engineers India Ltd.

- Possible Value trap with 7x PE FY24 & has a small weight in the portfolio , so won't lead to meaningful outcome.

Mahanagar Gas

- Possible value trap with 9x PE Fy24

Qess Corp Ltd.

- Given the prevalent threat of Omicron virus and delay in opening up of commercial & office spaces, there could be an impact on staffing services.

Dhanuka Agritech Ltd.

- Possible Value trap hence the stock was exited for better opportunities

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