

Core Equity Portfolio (CEP)

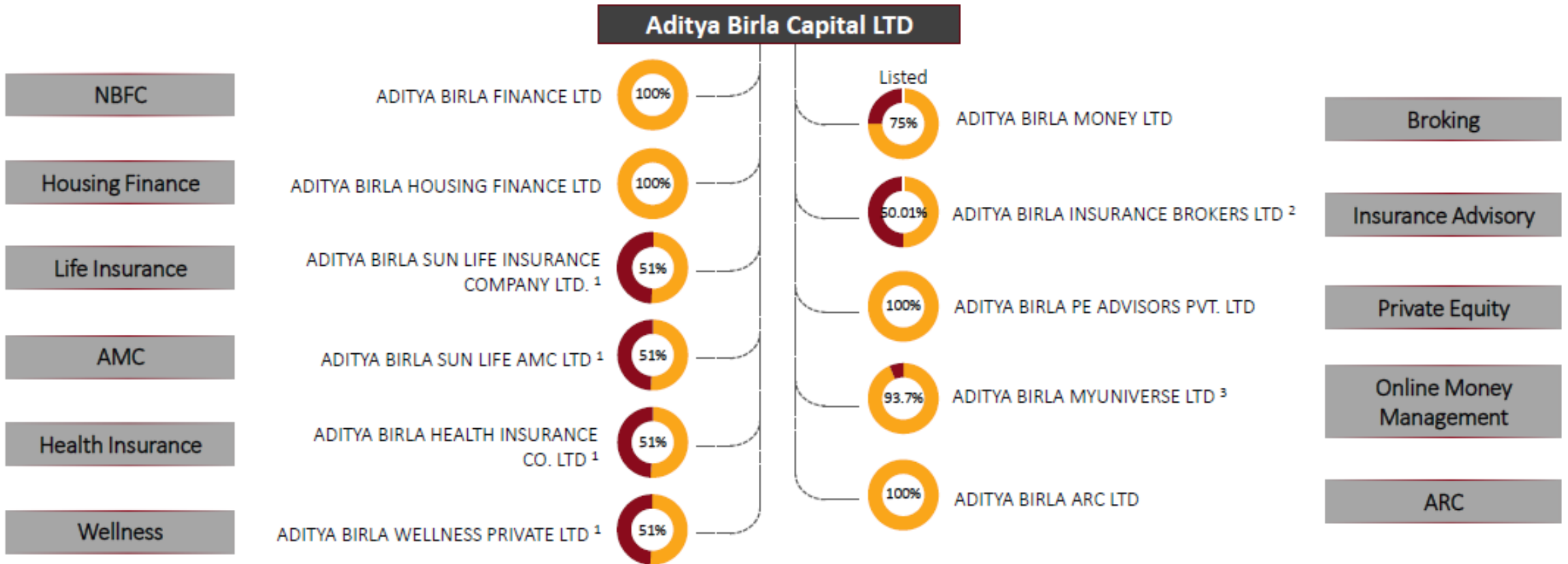
March 2021



**ADITYA BIRLA
CAPITAL**

PROTECTING INVESTING FINANCING ADVISING

Aditya Birla Capital Limited – A Financial Powerhouse



VISION

To be a leader and role model in a broad based and integrated financial service business

ABSLAMC: A Joint Venture between two pioneering companies



ADITYA BIRLA GROUP

- ✓ A US \$48.3 bn corporation - one of the largest Indian conglomerates with operations in over 36 countries
- ✓ A dominant player in many commodity & manufacturing businesses apart from service businesses
- ✓ Major presence in Financial Services - Mutual Funds, Life Insurance, Wealth Management & Distribution, Security based lending, Infrastructure Finance, General Insurance Advisory, Broking & Private Equity



- ✓ A leading Canadian financial services company
- ✓ AUM CAD \$ 1,023 billion (as on Mar 31 2020)
- ✓ Offering diversified range of risk and financial management products for individuals and corporate
- ✓ Large international footprint across continents – major presence in North America & Asia

Asset Management

Heritage

- ✓ Founded in 1994, one of the oldest in India
- ✓ A JV between Aditya Birla Group & Sun Life Financial Inc since 2001
- ✓ Have seen the market evolve across different asset classes over the years
- ✓ Driven by client centric product Innovation

Market Dominance

- ✓ One of the top 4 AMC's in India with AUM of over US\$ 36.23 bn (Feb 2021)
- ✓ Over 7.0 million investor accounts (Feb 2021)
- ✓ Strengths across different asset classes

Portfolio Management Services

Best in Class Management

- ✓ Offer portfolio management services and alternate investment solutions to HNI's and Institutions
- ✓ Aditya Birla Sun Life PMS manages / advises Rs. 10,372 cr. of assets (Feb, 2021)
- ✓ 10 member dedicated team for Equity and Fixed Income, with a cumulative experience of over 60 yrs - over 8 yrs average experience with ABSLAMC
- ✓ Disciplined processes driving investment management

Focus on Long Term Wealth Creation

Investment Objective/ Philosophy

Recurring Winners – Industries

- * With strong operating dynamics
- * Core to the India growth story
- * **Which have consistently thrown up winning stocks over the past 10 yrs**
- * Strong fundamental research

Value investing approach with high margin of safety

Wealth Creation Approach

- Own High Quality businesses with consistent growth/returns profile
- * Companies with Scalability and Resilience
- * Benchmark-agnostic
- * Multi Cap Universe
- * Concentrated Portfolio ~ 25-30 stocks

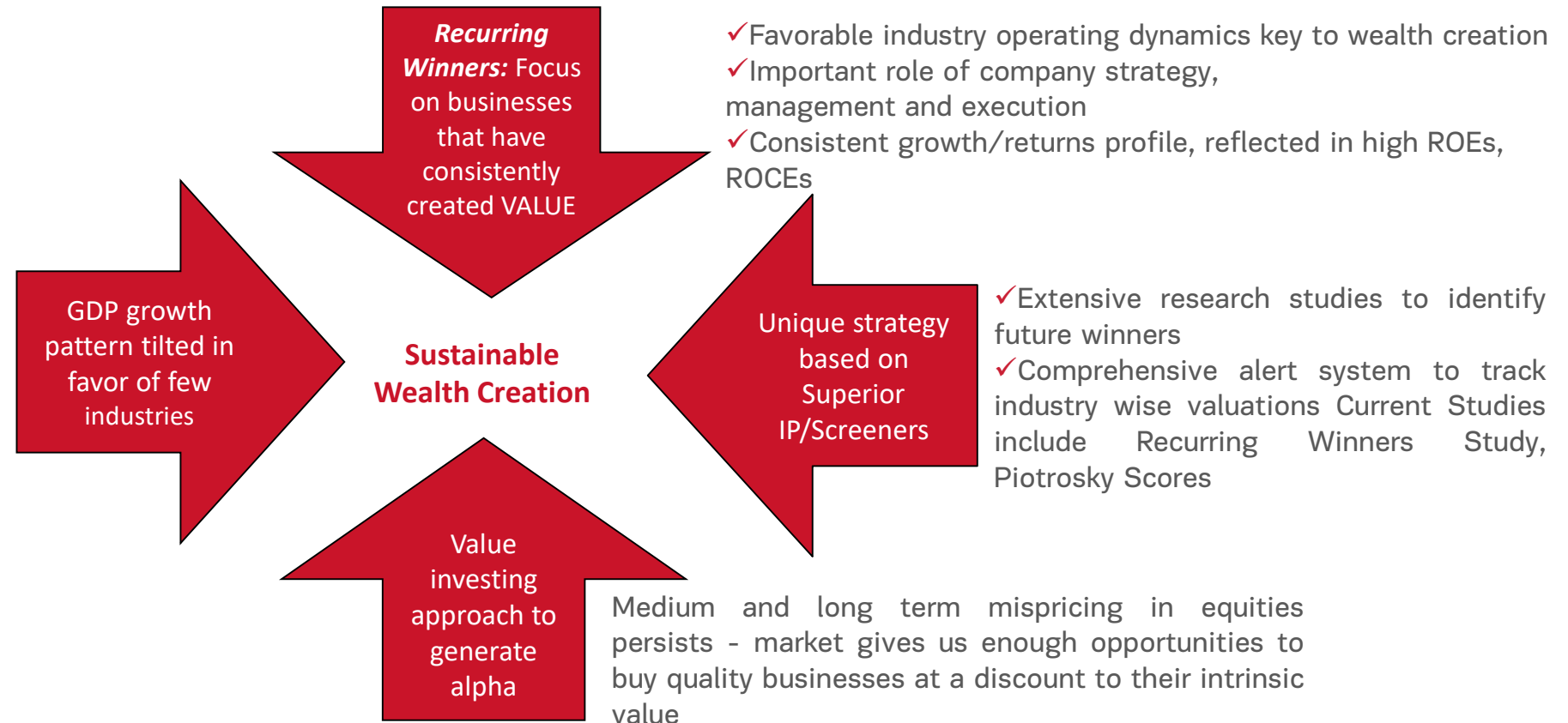
Value drivers

- * Industry operating dynamics
- * Sustainable ROEs/ROCEs
- * Sustainable earnings growth
- * High quality franchise, product, service
- * Superior management team
- * Attractive valuations`

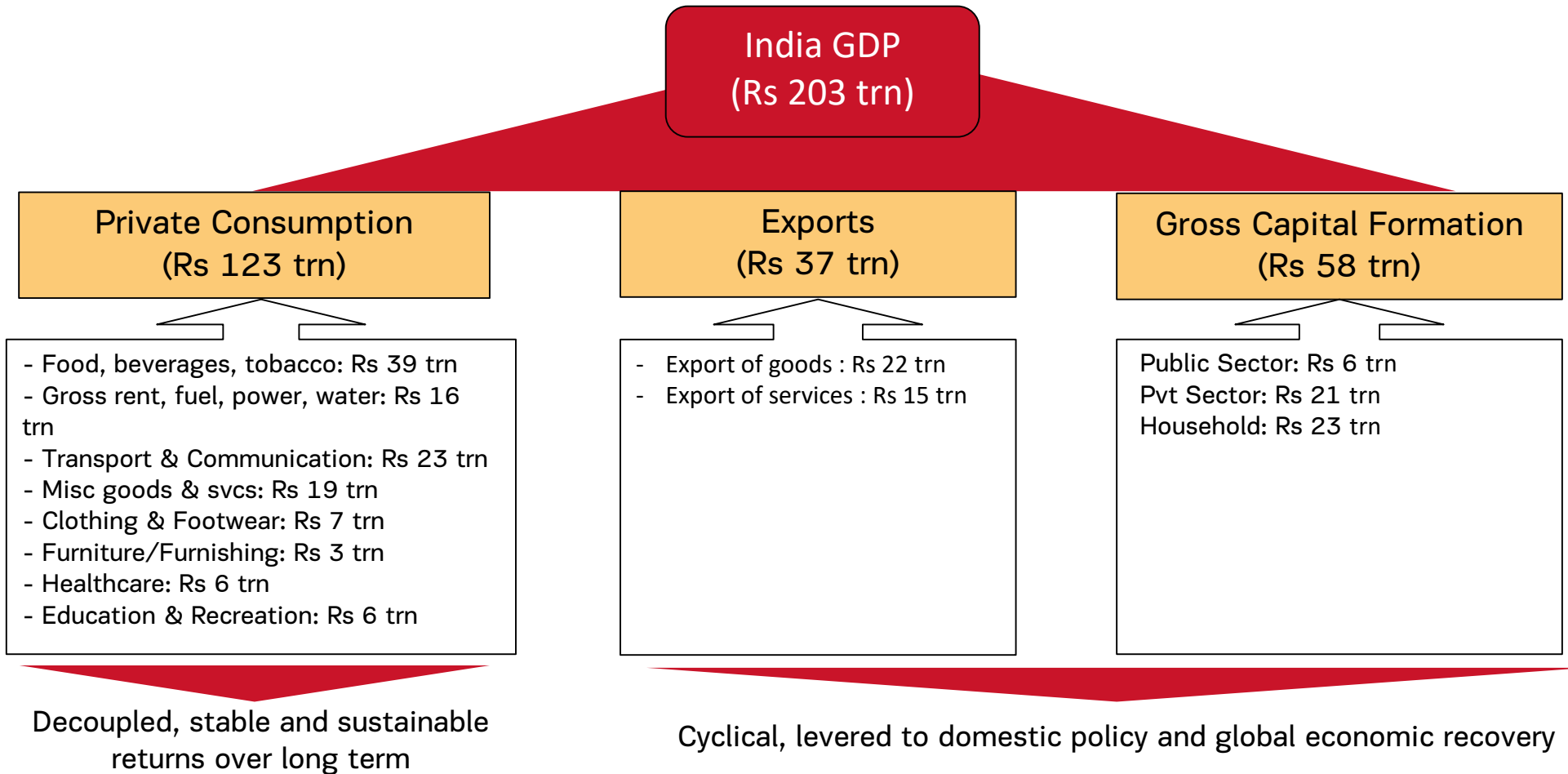
4 Pillars of our Investment Process

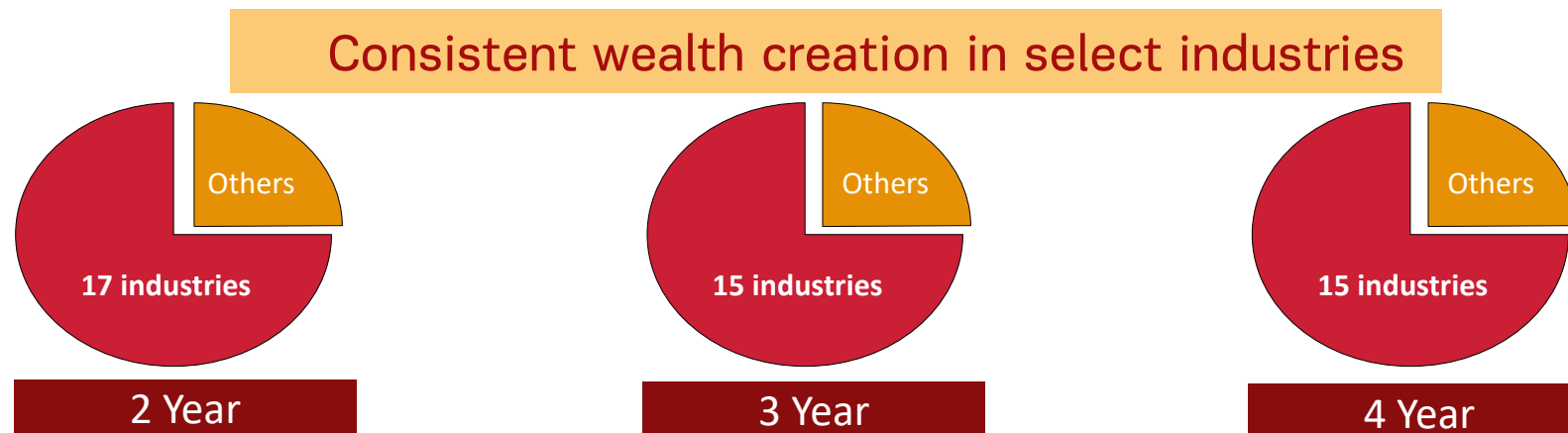
- Concentrated Portfolio
- Benchmark agnostic
- Multi-cap universe

Sustainable growth over long term in select industries



Pillar 1: GDP growth patterns favor some sectors more





- ✓ Our “Recurring Winners” study across **61** industries suggest that in Indian context, **75%** of the consistently performing companies in the last decade belonged to **only 15** industries
- ✓ The study evaluates the consistent winners in light of its Industry dynamics such as Competitive Intensity and Long term Growth Prospects
- ✓ Companies with superior management and strong business models require support of favorable industry operating dynamics to consistently generate superior value and returns
- ✓ In our investment strategy, focus is more on industries with lower competitive intensity that are more direct beneficiaries of consumer spending, who enjoy stable growth, and are less vulnerable
- ✓ **Top 5 RWP Industries** include Commercial Banks, Pharmaceuticals, IT Services, Capital Goods, & FMCG

Industry dynamics is key to capturing value

- ✓ Research over the long term proves that shareholder wealth creation is mainly determined by strong operating dynamics such as competition levels, ease of entry by new players, bargaining power of buyers/suppliers etc.
- ✓ Value Creation & Retention happens in fewer industries over longer horizon
- ✓ The effect of these dynamics is visible in sustainable ROE and ROIC

Commercial Banks

- Entry barriers in the form of licenses
- Very limited customer bargaining power

Pharmaceuticals

- Large and growing addressable market
- Entry barriers in form of size, capital needs, regulations, research capabilities

IT Services

- Entry barriers in Fortune 500 space
- Limited supplier power in terms of salary costs – arbitrage

Capital Goods

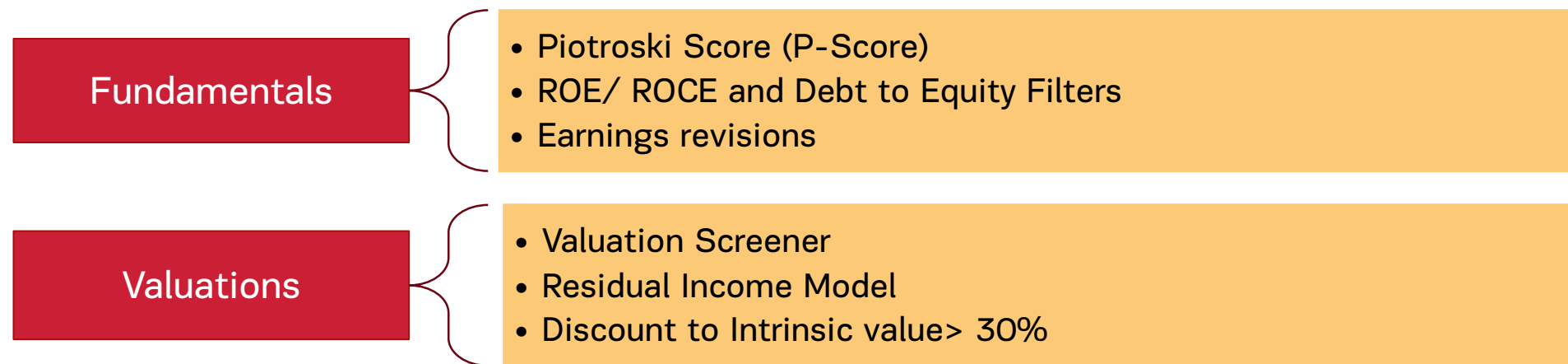
- Large & growing addressable market
- Strong and large balance sheets acting as performance anchors

FMCG

- Brand franchise and distribution scale driven entry barriers
- Ingrained sustainability, healthy margins & return ratios

Our unique Intellectual Property Models add immense value

- ✓ **Extensive fundamental research** undertaken to identify future winners that create superior and sustained value
- ✓ **Comprehensive alert systems** created and maintained to track industry wise valuations of each company
- ✓ Practice value investing by building models that enable identifying **growth** industries and businesses at **attractive valuations** – in line with our investment strategy



Effective screener to identify future winners

P-Score is an effective screener as it measures:

1. The overall strength of the firm's financial position
– Identifies Quality, Superior Leadership companies
2. The improvement (delta) in the financial position of the firm
– Identifies Turnaround, Compounding Companies

It is one aggregate signal that captures three areas of the firm's financial condition:

- **Profitability** : +ve Net profit, +ve Operating Cash Flows, Cash flow > Net Profit, Change in ROA
- **Financial leverage/Liquidity**: Change in Leverage, Change in Liquidity, and Equity Financing
- **Operating efficiency** : Change in Operating Margins, Change in Turnover Ratio

It is a 9 point indicator: score of 7,8 or 9 is high P-score, and 0,1,2,3,4 is low P-score

P-Score: Captures Fundamentals

$$P_SCORE = F_ROA + F_DROA + F_CFO + F_ACCRUAL + F_DTURN + F_DMARGIN + F_DLEVER + F_DLIQUID + EQ_OFFER$$

No.	Ratios	Definition	Positive signal if
QUALITY			
PROFITABILITY			
1	Return on Assets (ROA)	Net Income/Total Assets	ROA>0
2	Cash flow from Operations (CFO)	Cash flow from Operations/Total Assets	CFO>0
3	Accrual	CFO - Net Income (NI)	CFO-NI>0
FINANCIAL LEVERAGE			
4	Equity Offering (EQ_OFFER)	Issue of common equity by the company	EQ_OFFER=0
CHANGE IN QUALITY			
PROFITABILITY			
5	Change in ROA	ROA(Year t) - ROA (Year t-1)	$\Delta ROA > 0$
OPERATING EFFICIENCY			
6	Change in EBITDA Margins	EBITDA/Sales (Year t) - EBITDA Sales (Year t-1)	Δ EBITDA Margin > 0
7	Change in Asset Turnover Ratio	Sales/Assets (Year t) - Sales/Assets (Year t-1)	Δ Asset Turnover > 0
FINANCIAL LEVERAGE			
8	Change in Net Debt to Assets (Leverage)	Net Debt/Assets (Year t) - Net Debt/Assets (Year t-1)	Δ Leverage < 0
9	Change in Current Ratio	Current Assets/Current Liabilities (Year t) – Current Assets/Current Liabilities (Year (t-1)	Δ Current Ratio > 0

CAPITAL
PRESERVATION

CAPITAL
APPRECIATION

P-score template

Company name **Alembic Pharma**

	FY12A	FY13E	FY14E	FY15E
QUALITY				
Net Income (Rs mn)	1,301	1,487	1,869	2,333
1. Return on Assets (ROA)	15.4%	14.1%	15.3%	16.5%
2. Cash flow from Operations (CFO)	2,241	2,641	2,559	2,690
3. Accrual (CFO-Net Income)	940	1,154	690	357
4. Equity Offering	0	0	0	0
CHANGE IN QUALITY				
5. Change in ROA	5.3%	-1.3%	1.2%	1.2%
EBITDA Margins	15.1%	15.3%	15.5%	15.8%
6. Change in EBITDA Margins	1.7%	0.2%	0.2%	0.3%
Asset turnover Ratio (x)	1.54	1.45	1.47	1.48
7. Change in Asset Turnover Ratio	0.12	-0.09	0.02	0.01
Net Debt	1,873	785	-374	-1,476
Net Debt to Assets (x)	0.20	0.07	-0.03	-0.10
8. Change in Net Debt to Assets	-0.12	-0.13	-0.10	-0.07
Current Ratio (x)	1.3	1.4	1.5	1.7
9. Change in Current Ratio	-0.07	0.07	0.15	0.17
Earnings growth (%)	52%	14%	26%	25%
Price to Earnings (June 2012)	7.5x	6.6x	5.2x	4.2x

PIOTROSKI SCORE	Score	ROA	D ROA	CFO	ACCRUAL	D TURN	D MARGIN	D LEVER	D LIQUID	EQ. OFFER
FY2012	8	1	1	1	1	1	1	1	0	1
FY2013E	7	1	0	1	1	0	1	1	1	1
FY2014E	9	1	1	1	1	1	1	1	1	1
FY2015E	9	1	1	1	1	1	1	1	1	1

P-Score : *High P-score portfolio outperforms*

- ✓ Across cycles, equal weighted portfolio of High P-score stocks deliver average returns higher than that of Mid P-Score and Low P-score stocks
- ✓ An investment strategy that buys High P-score stocks and shorts Low P-score stocks within the universe generates significantly high positive returns across most cycles

P-Score	Average Returns (%)		
	1-yr	2-yr	3-yr
0	xx	xx	xx
1	-32%	-52%	-39%
2	-13%	-25%	-31%
3	-2%	-14%	-15%
4	10%	9%	12%
5	22%	39%	55%
6	29%	49%	82%
7	44%	75%	115%
8	64%	120%	175%
9	53%	107%	172%
Low P-score	5%	1%	3%
Mid P-score	25%	44%	68%
High P-score	50%	88%	133%
Universe	25%	42%	67%
NSE 500 Index	27%	52%	86%

An illustration to compute P-score. Actual numbers may differ

P-Score: It works across market caps

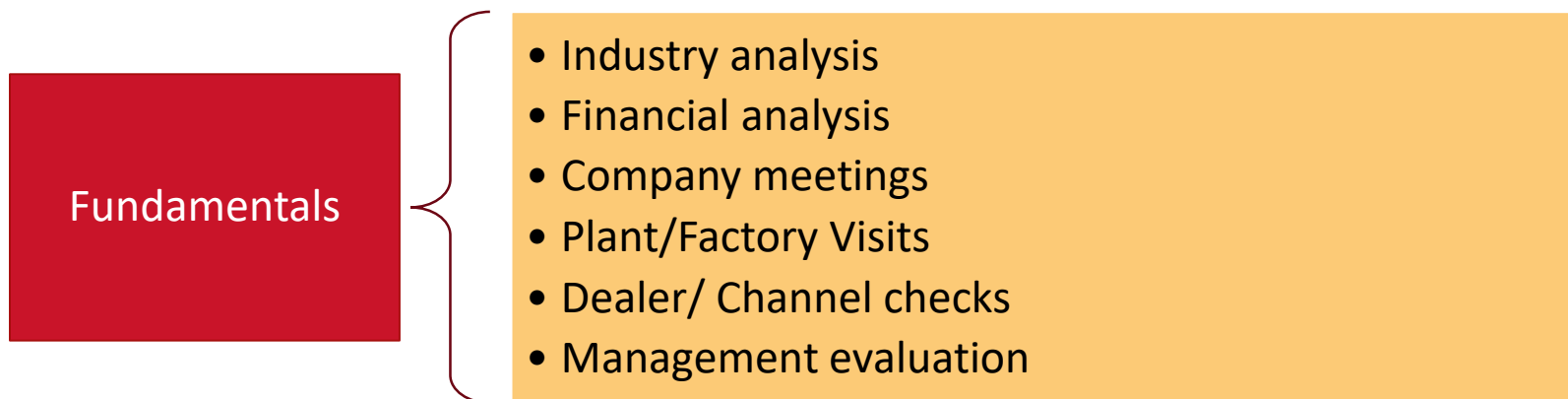
- ✓ Across different market capitalization stocks, equal weighted portfolio of High P-score stocks deliver average returns higher than that of Mid P-Score and Low P-score stocks

Market Cap (crore)	Average 2 year returns (%)				
	Low P-score (L)	Mid P-score (M)	High P-score (H)	Average (A)	(H) – (A)
>20K	-10%	20%	58%	22%	36%
10K - 20K	-2%	26%	62%	28%	34%
6.75K - 10K	-1%	30%	62%	30%	32%
4.5K - 6.75K	-1%	30%	70%	31%	39%
3K - 4.5K	-6%	32%	74%	31%	43%
2K - 3K	-8%	37%	76%	33%	43%
1.3K - 2K	-7%	37%	76%	33%	43%
900 – 1300	-6%	39%	77%	35%	42%
600 – 900	-4%	40%	78%	36%	42%
400 – 600	-3%	41%	81%	38%	43%
<400					
Total	1%	44%	88%	42%	46%

An illustration to compute P-score. Actual numbers may differ

Bottom-up Fundamental Research adds conviction

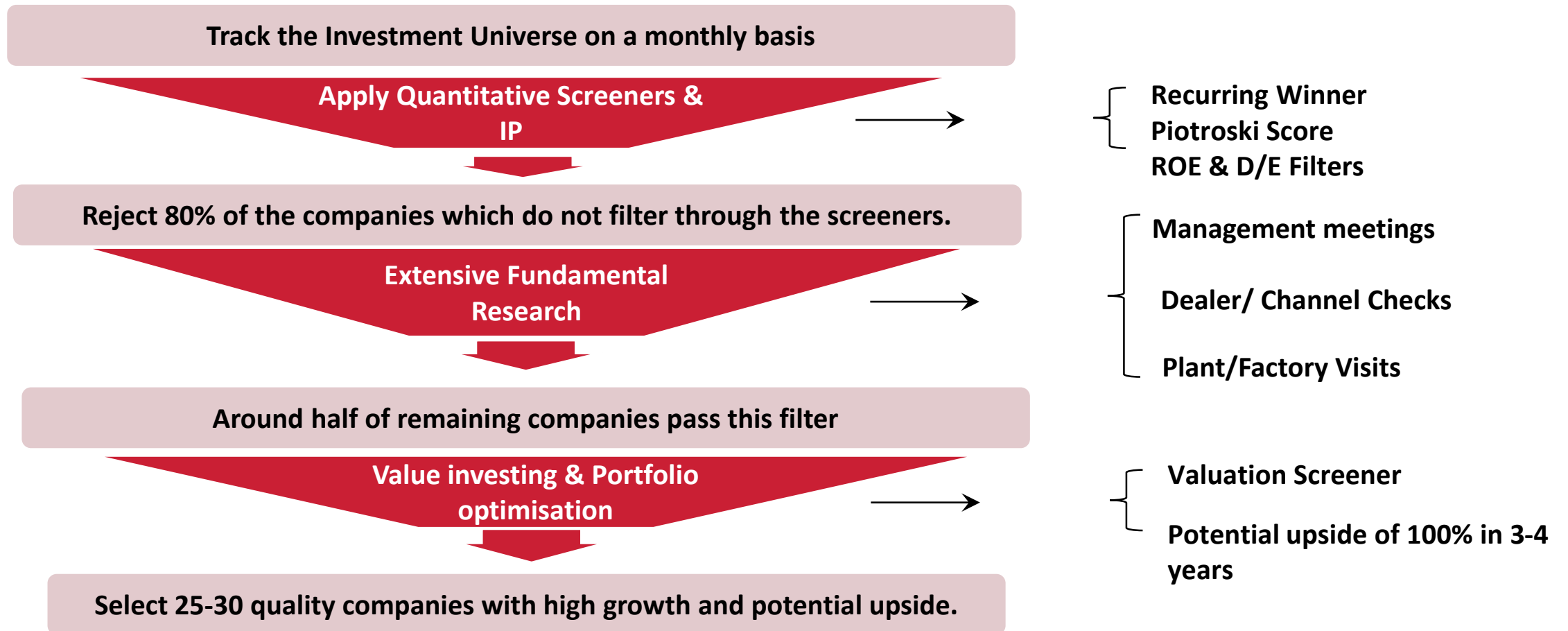
- ✓ Extensive fundamental research undertaken on the Filtered candidates to identify potential portfolio companies
- ✓ Ensure that the team meets the management before forming a view on the company
- ✓ Track sector developments, meet industry participants across value chains to discern changing trends
- ✓ Focus on understanding company strategy, management and execution



Pillar 4: Value investing approach to generate alpha

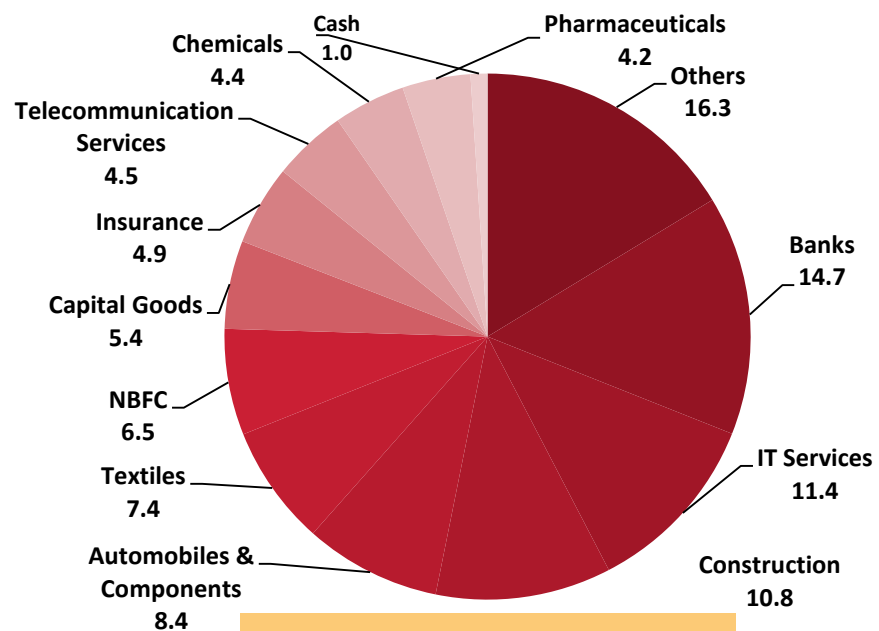


- ✓ Medium and long term **mispricing** in equities persists - market gives us enough opportunities to buy quality growth stocks at a **discount to their intrinsic value**
- ✓ Proprietary screeners enable discovery of these stocks and companies that will create value – which are still significantly under-valued
- ✓ Emphasis is on entry price and we invest in a company only if we have a visibility of a **minimum threshold return** and thorough assessment of **limited down-side**
- ✓ Long term mispricing is discovered through analysis of fundamental parameters and ratios

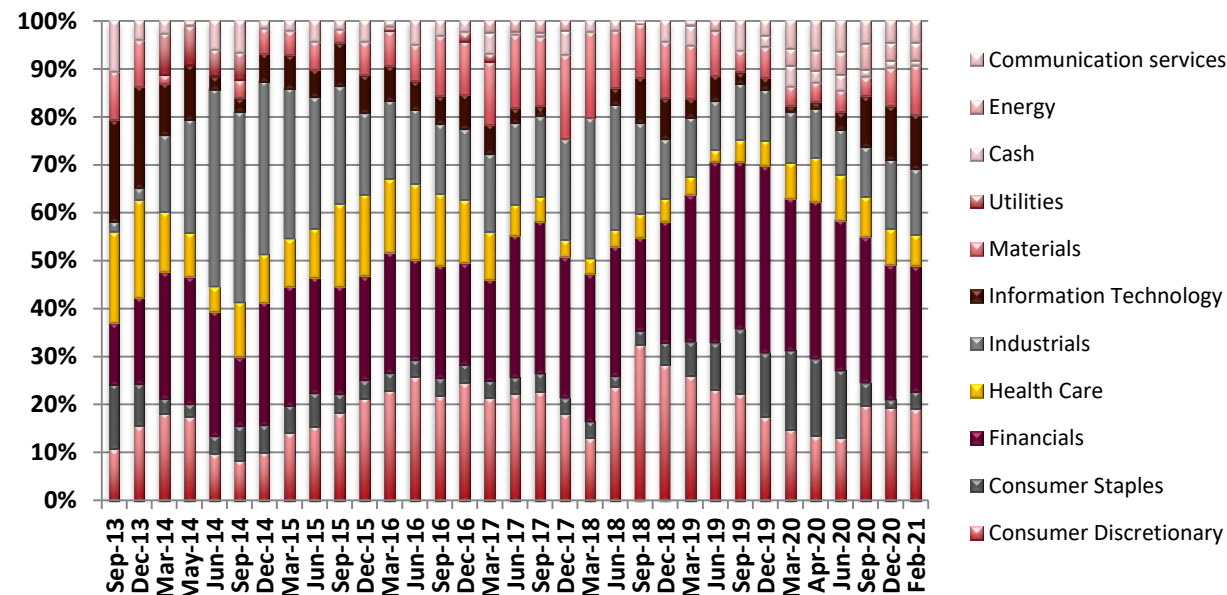
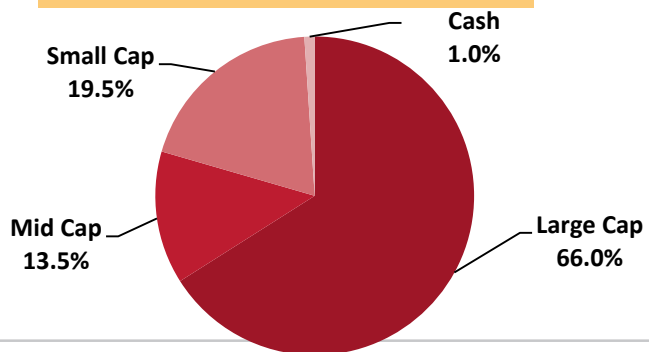


Current Model Portfolio

Industry Allocation

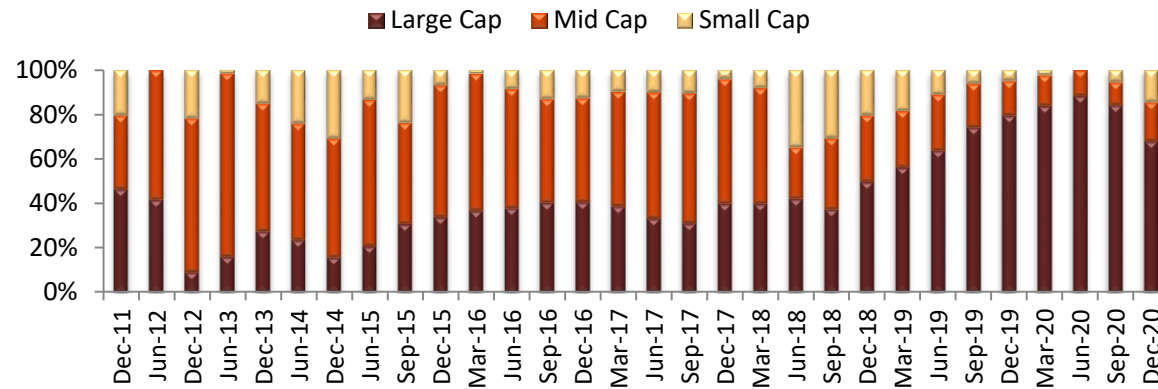


Market Cap

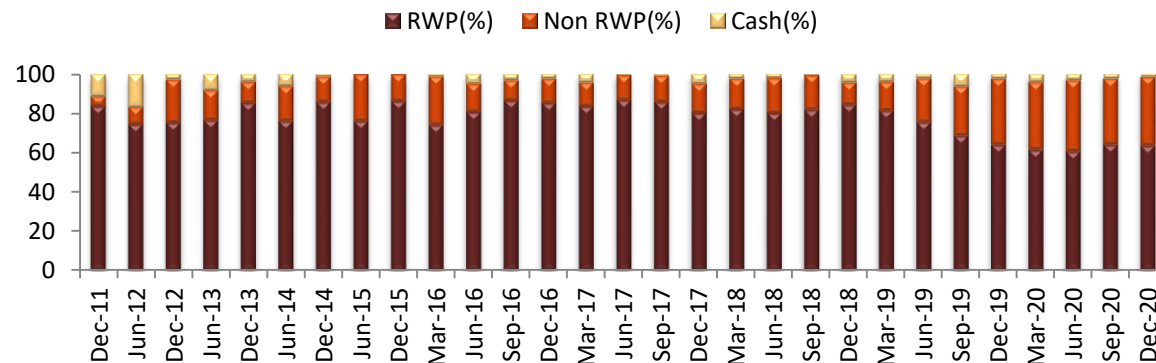


Market Cap categorization as per Average Market Capitalization of listed companies during the six months ended 31 Dec 2020. Source: AMFI

Diversification across market caps*



Recurring Winners vs Non-Recurring Winners Industries



Note: Comparison on Recurring Winners Project (RWP) represents the top 20 industries based on internal RWP analysis.

P-score table

Security	P-score
Infosys	High
Bharti Airtel	High
Bata India	High
Tata Motors	High
Sun Pharmaceutical Industries	High
Shree Cement	High
Reliance Industries	High
Container Corporation of India	High
Bajaj Electricals	High
Happiest Minds Technologies	High

P-Score of top 10 holdings (excluding Financials) as on Feb 28, 2021

Current Model Portfolio

Portfolio vs. Benchmark – Higher Growth/ROEs with lower leverage

PE (x)	FY20A	FY21E	FY22E	Prem/Disc to benchmark (FY22E)
CEP	49.2	42.7	29.5	38.2%
NIFTY 500	22.1	26.8	21.3	
NIFTY	19.5	22.8	18.0	

ROE (%)	FY20A	FY21E	FY22E	Prem/Disc to benchmark (FY22E)
CEP	10.3%	10.7%	13.9%	29.0%
NIFTY 500	9.1%	9.1%	10.8%	
NIFTY	11.0%	10.0%	11.8%	

EPS growth (%)	FY20A	FY21E	FY22E	Prem/Disc to benchmark (FY22E)
CEP	10.1%	15.3%	44.7%	75.2%
NIFTY 500	-4.9%	7.6%	25.5%	
NIFTY	-1.7%	11.0%	27.0%	

Net Debt to Equity (%)	FY 20	Prem/Disc to benchmark
CEP	22.7%	-
NIFTY 500	58.7%	
NIFTY	57.7%	

Financials excluded in calculation of D/E

Source: All ratios are based on Bloomberg consensus estimates.

Note: Premium/Discount to benchmark Nifty 500 is listed for the period FY22E.

Top 10 Holdings & Weights

Top 10 Portfolio Holdings	% to Net Assets
ICICI Bank	6.9
Bajaj Finserv	6.5
HDFC Bank	6.1
Infosys	6.0
ICICI Lombard General Insurance Company	4.9
Bharti Airtel	4.5
Bata India	4.2
Tata Motors	4.2
Sun Pharmaceutical Industries	4.2
Shree Cement	3.7

Returns (%) as on 28 Feb, 2021	Absolute				CAGR					
	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	Since Inception (24/08/07)
Core Equity Portfolio	8.98%	16.50%	33.35%	21.19%	14.77%	2.61%	4.58%	9.17%	17.48%	14.19%
Nifty 500 (benchmark)	7.78%	13.64%	29.98%	31.89%	16.61%	9.56%	12.12%	15.88%	14.06%	9.85%
Nifty Midcap 100	11.28%	18.02%	39.48%	38.62%	17.95%	5.77%	9.01%	15.02%	16.89%	11.22%

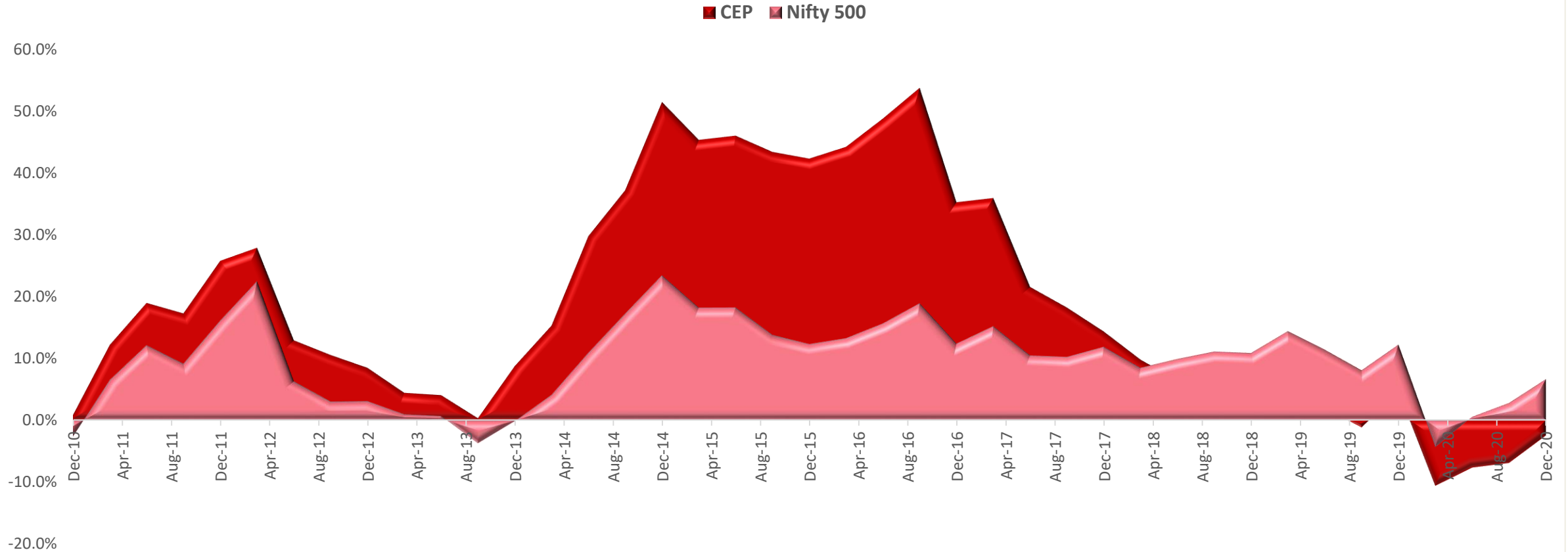
Calendar Year Returns	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD 2021
Core Equity Portfolio	16.10%	-20.40%	38.20%	16.90%	115.30%	14.60%	0.30%	30.10%	-21.30%	11.90%	5.50%	8.87%
Nifty 500	14.10%	-27.20%	31.80%	3.60%	37.80%	-0.70%	3.80%	35.90%	-3.40%	7.70%	16.70%	5.76%

Disclaimer :

Past performance of any product does not indicate its future performance. The returns of investment approaches are calculated using TWRR method and considers all inflows and outflows and market value of entire portfolio for computation of performance . It is calculated net of all expenses and fees. Investment approach level performance reported above is not verified by SEBI.

YTD returns as of 28 Feb, 2021.

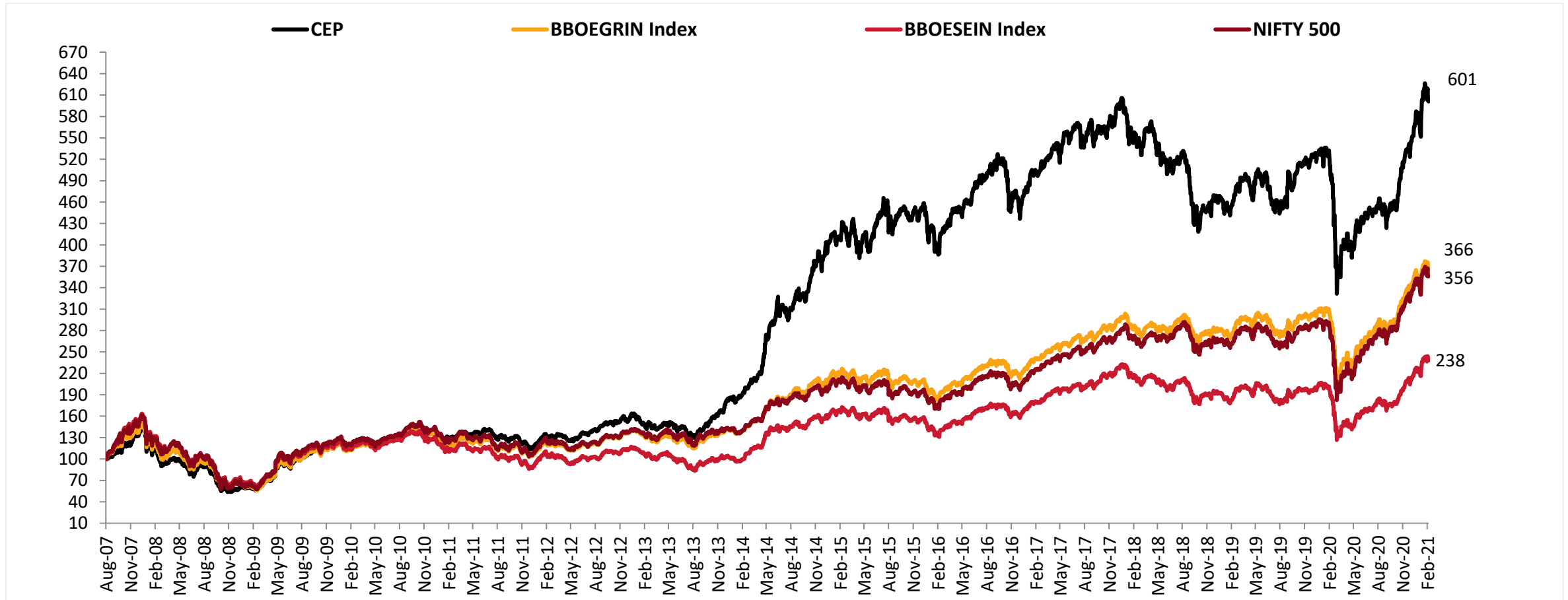
3 Year Rolling Returns - CEP Vs Nifty 500



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CEP Performance v/s Mutual Funds

Outperformance across all time frames



Note: BBOEGRIN Index represents open-ended growth funds while BBOESEIN Index represents thematic open ended equity funds, both domiciled in India and are defined by Bloomberg. Also, the above is only a historical representation of past performance and does not necessarily assure similar returns in future.

CEP Success Stories



Company	First Purchase Date	Buy price	Sell Price or Current price	Holding period return (%)
Alembic Pharmaceuticals	04-Jul-12	57	611	967.34%
Aurobindo Pharma	18-Sep-13	89	606	583.82%
National Building Construction Corporation	12-Mar-14	10	59	489.00%
Indo Count Industries	23-Sep-14	36	208	481.56%
Dewan Housing Finance	18-Oct-12	98	535	447.60%
Finolex Cables	05-Mar-14	86	431	402.15%
HCL Technologies	28-Nov-11	195	846	333.39%
TVS Motor Company	04-Oct-13	42	143	241.12%
Zee Entertainment Enterprises	30-May-12	127	417	228.77%
Canfin Homes	09-Apr-15	150	471	214.52%
VA Tech Wabag	05-Feb-14	280	785	180.75%
Tata Motors Ltd	10-Aug-20	124	321	159.06%
Ashok Leyland	07-Jul-20	51	132	157.23%
CCL Products India	19-Aug-14	88	211	139.55%
Yes Bank	04-Jul-13	94	225	138.83%
Bajaj Electricals	28-Jul-20	427	1017	138.20%
Himatsingka Seide	24-Jul-15	148	330	123.72%
Balkrishna Industries	20-Dec-13	315	691	119.02%
Larsen & Toubro Infotech Ltd	05-Sep-18	1907	4129	116.49%
Astral Poly Technik Ltd	09-Nov-20	1191	2502	109.97%
Jyothy Laboratories	12-Aug-13	170	356	109.94%
Maruti Suzuki India	31-Mar-16	3716	7585	104.11%
Minda Corporation	27-Nov-15	93	185	100.16%
Infosys Ltd	12-Jun-20	688	1368	98.85%
Reliance Industries	09-Mar-20	1114	2182	95.82%
KPIT Cummins Infosystems	30-Apr-12	86	166	94.04%
Bajaj Finserv	05-Jan-18	5155	9991	93.83%

Company	First Purchase Date	Buy price	Sell Price or Current price	Holding period return (%)
Axis Bank	25-Jul-11	267	512	91.44%
Simplex Infrastructures	27-Mar-14	114	216	88.71%
Bata India	18-Jun-18	809	1506	86.14%
ICICI Bank	11-Dec-18	341	626	83.68%
ICICI Bank	27-Apr-12	172	316	83.41%
Adani Enterprises	19-Sep-13	30	53	78.39%
Britannia Industries	07-Mar-13	519	915	76.30%
Biocon Ltd	14/08/2019	229	403	75.95%
Nestle India Ltd	27-Sep-18	9638	16884	75.18%
Capital First	08-Mar-16	375	650	73.44%
Alkyl Amines Chemicals	04/11/2020	2948	5088	72.56%
Bharat Financial Inclusion	23-Oct-15	423	719	69.90%
Ratnamani Metals & Tubes	10-Jul-14	440	726	64.88%
Sun Pharma	14/06/2019	387	626	61.71%
D. B. Corp	03-Sep-12	189	305	61.41%
ING Vysya Bank	21-Mar-12	359	575	60.22%
Gulf Oil Lubricants India	16-Dec-14	546	870	59.50%
Avenue Supermarts	24-Apr-19	1325	2099	58.42%
Apollo Tricoat Tubes Limited	14-Dec-20	731	1151	57.51%
Firstsource Solutions	10-Oct-13	18	29	56.64%
Bank of Baroda	28-Jan-14	113	177	56.37%
Orient Cement Ltd	23/10/2020	67	102	52.93%
Happiest Minds Technologies	21/09/2020	356	542	52.37%
UPL	06-Feb-13	128	193	51.06%
Bharti Airtel Ltd.	24-Oct-19	356	526	47.58%
Shree Cements	30-Oct-17	18987	27556	45.13%

Disciplined Sell Process - Adding value to the portfolio



A disciplined sell process ensures that weaker stocks with deteriorating fundamentals or diminished margins of safety are replaced by the stronger ones.

A portfolio stock will be reviewed for potential sale under 3 scenarios:

- ✓ Deterioration in business fundamentals
- ✓ Stock appreciation to the point where the incremental risk / reward is unfavorable
- ✓ Availability of an alternate investment with stronger fundamentals and valuations

Scrip Name	Buy Date	Adjusted Buy Price	Sell Date	Adjusted Sell Price	Market Price*	Scrip Returns (post selling)*	CEP Returns (Post Selling)*	Nifty 500 Returns (post selling)*	Reason for Sale
Tribhovandas Bhimji Zaveri	29-Jan-15	176.0	08-May-15	149.0	73.3	-50.8%	54.6%	81.0%	1
Balkrishna Industries	20-Dec-13	311.8	14-Nov-14	737.0	1558.0	111.4%	65.5%	79.5%	2
Coromandel International	09-May-13	192.9	31-Jul-13	168.2	771.4	358.5%	339.4%	178.1%	3
DB Corp	03-Sep-12	190.0	10-Jun-14	305.3	100.0	-67.3%	107.9%	96.7%	1
Ratnamani Metals	10-Jul-14	438.0	23-Jan-15	712.0	1901.8	167.1%	45.8%	69.9%	1

Disclaimer: Past performance depicted above does not indicate its future performance. The stocks mentioned above are only for representation purpose and not a complete disclosure of our total portfolio. Returns shown above are absolute returns from current to sell date.

Preference for active portfolio management vs. 5 to 10 year buy and hold strategy

- ✓ Timely review of stocks with respect to the business fundamentals like competitive advantage, growth prospects and capital allocation is integral in a VUCA (volatility, uncertainty, complexity and ambiguity) environment
- ✓ Difficult for best of companies to display strong and consistent growth and returns over a longer time frame

No: of companies which have reported PAT growth > 20% and ROE > 20%	No: of BSE 500 stocks	% of BSE 500 stocks
for last 10 consecutive years	0	0%
for last 5 consecutive years	5	1%
for last 2 consecutive years	35	7%

Sweet Spot for Investing is 2 to 3 years – Investment horizon for portfolio stocks

Case Studies

Industry: Financials

- ✓ Background – Bajaj Finserv is a financial conglomerate engaged in life insurance, general insurance, consumer finance and other financial products.
- ✓ Current price/Current Market Cap : Rs 9,649/ Rs 1,53,545 Crs (as of 28 Feb, 2021)
- ✓ Price/Market Cap (at the time of purchase): Rs. 5155 / Rs.80,300 crs

Financials: An RWP Industry

- Financials industry is amongst the **top 15 outperforming industries** in India.
- **Positive operating dynamics** - Entry barriers in the form of licenses, Very limited customer bargaining power, strong network.

Use of Proprietary screeners

- **Captured by Proprietary screener (ANR)**

Fundamental Evaluation

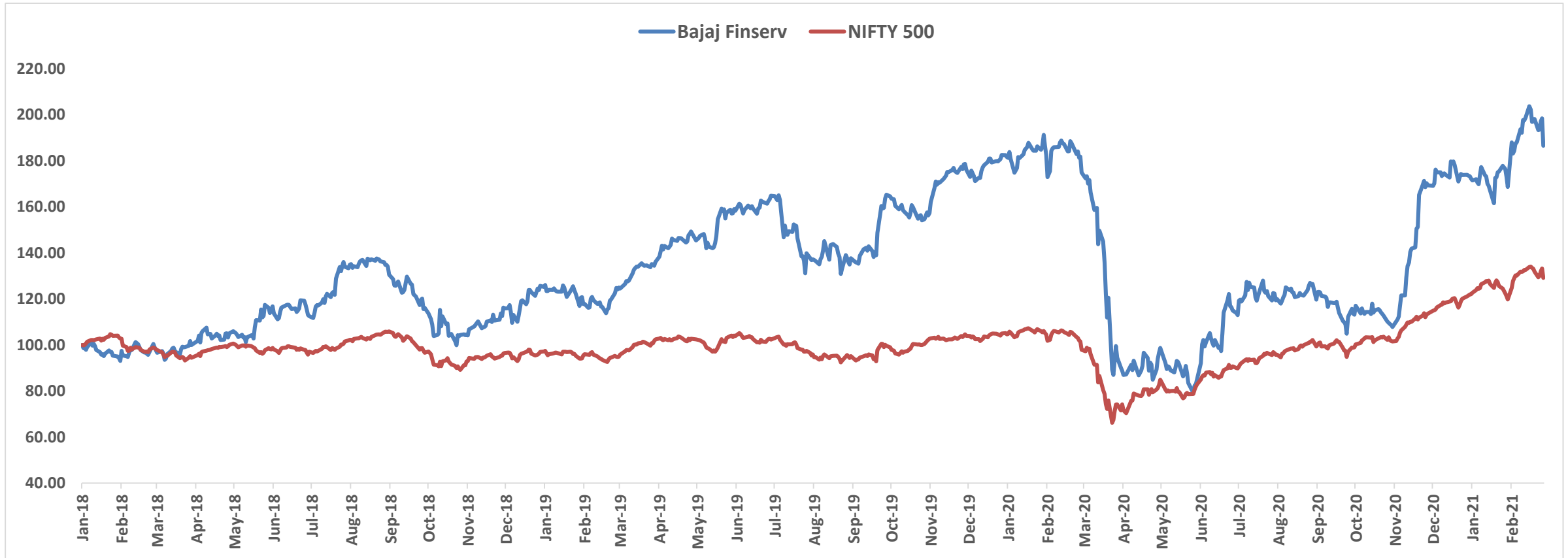
- Bajaj Finance- Leadership position in under penetrated and growing segments like CD financing, lifestyle product financing, two-wheeler financing, LAP, etc.
- While FY21 may see pressure on growth & profitability, earnings are expected to rebound faster in FY22 than other NBFCs given the access to liquidity & capital.
- Bajaj Allianz General Insurance Company (BAGIC) - while motor, travel & credit segments could remain weak in the near term, health could see an uptick.

Valuations

- Bajaj Finserv is available at a Price to book of 4.6 (FY22)

Date of Investment : Jan 2018
 Investment Price : Rs. 5155 per share

Current Price : Rs. 9,649 per share
 Total return (%) : 87% (3.1 year)



Industry: Textiles, Apparel & Luxury Goods

- ✓ Background – Bata India Limited is a manufacturer of a wide range of leather, rubber/canvas and plastic footwear products. The Company also manufactures sports apparel and leather accessories. Bata India sells its products through its chain of company owned retail stores in India, & also exports to the USA, United Kingdom, Europe, the Middle East and the Far East.
- ✓ Current price/Current Market Cap : Rs 1,438 / Rs. 18,485 Crs (as of 28 Feb, 2021)
- ✓ Price/Market Cap (at the time of purchase): Rs. 813/ Rs 12224 Crs

Textiles, Apparel & Luxury Goods : An RWP Industry

- Textiles, Apparel & Luxury Goods industry is amongst the top 15 outperforming industries in India.
- Positive operating dynamics- Increase in disposable income and brand awareness is expected to push the demand for apparels in Tier 1 and Tier 2 cities.

Use of Proprietary screeners

- Piotrosky score of 6 in FY22
- Strong ROE of 16.5% FY 22

Fundamental Evaluation

- Sustainable growth trajectory on the back of its leadership position in largely fragmented India's footwear market, diverse presence, renewed focus on innovative offerings and product offerings across the value segment.
- Healthy balance sheet with robust cash and a debt free status. Besides adding new stores, Bata is redesigning its existing store model with specific focus on categories such as sports, youth and women.
- Aims to be a \$1-billion company over the next five years. It has chalked out aggressive expansion plans mainly in Tier II and Tier III cities. It has identified 435 small cities to expand its retail footprint via franchisee route.

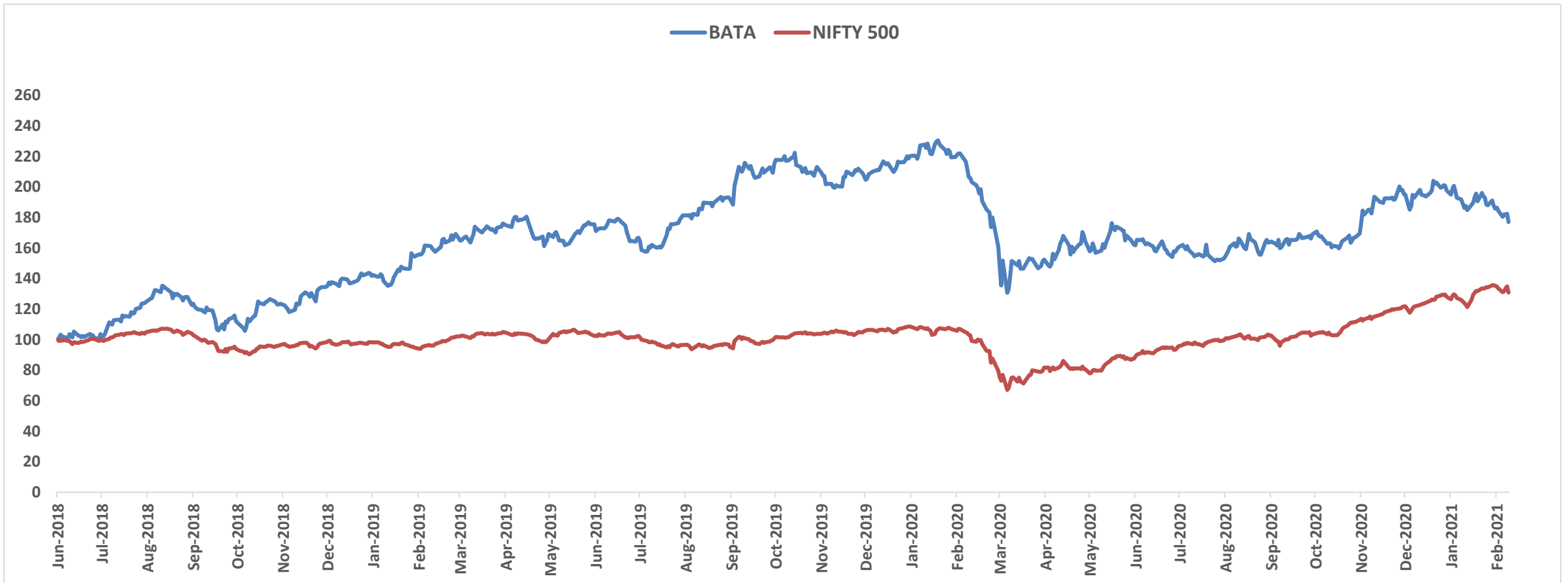
Valuations

- Currently trades at 55x P/E FY22.

Bata India Ltd



Date of Investment : June 2018
Investment Price : Rs. 813 per share
Current Price : Rs. 1,438 per share
Total return (%) : 77% (2.8 years)



Industry: Financials

- ✓ Background -ICICI Bank is one of the leading private sector banks in India. It is the third largest bank in India in terms of assets and fourth in term of market capitalization. It offers a wide range of banking products and financial services for corporate and retail customers through a variety of delivery channels and specialized subsidiaries.
- ✓ Current price/Current Market Cap : Rs 598 / Rs. 4,13,183 Crs (as of 28 Feb, 2021)
- ✓ Price/Market Cap (at the time of purchase):. Crs Rs 341/2,35,014 Rs. crs

Financials: An RWP Industry

- Financials industry is amongst the top 15 outperforming industries in India.
- Positive operating dynamics – Entry barriers in the form of licenses, Very limited customer bargaining power, strong network

Use of Proprietary screeners

- Captured by Proprietary screener (ANR)

Fundamental Evaluation

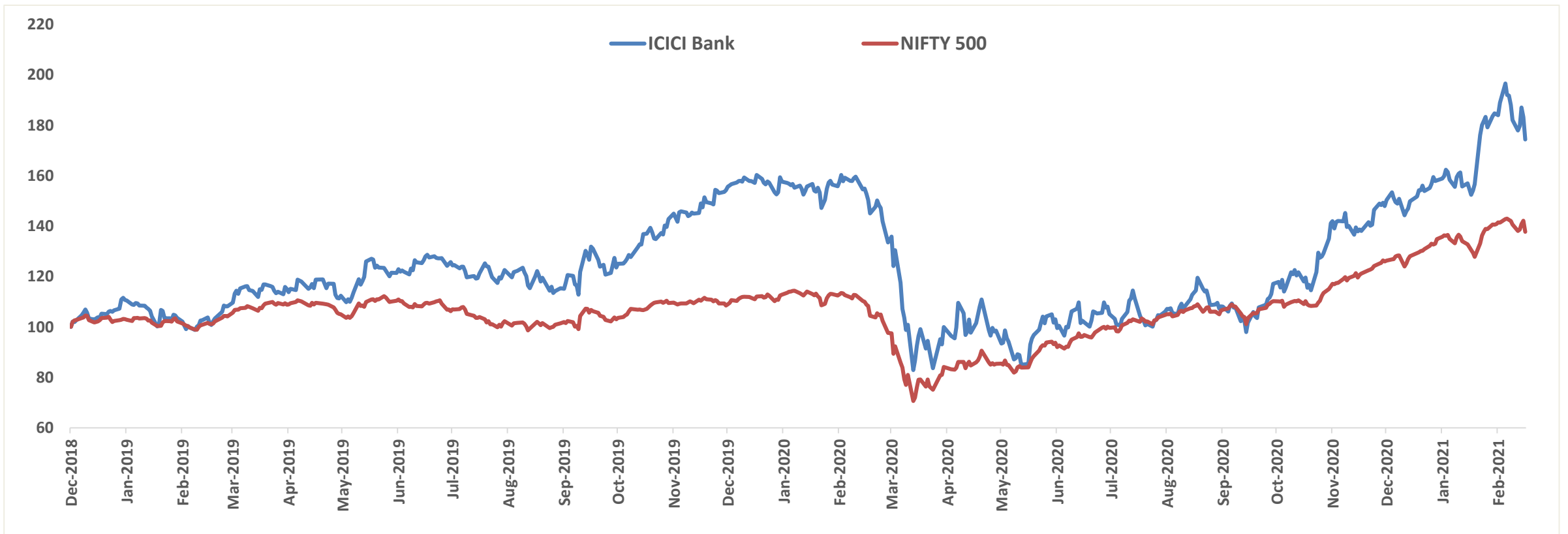
- Changes at the senior management level with the appointment of Mr. Sandeep Bakhshi as ED and COO of the bank to oversee all operations of the group.
- While the bank's balance sheet is superior than its peers given the construct of its loan book, near term performance can be contingent upon the recovery path for the sector in a post Covid environment.
- Adequate CET 1 capital of 13.4%, strong deposit franchise & technology leadership is expected to help ICICI Bank tide over the Covid crisis in a better way.

Valuations

- ICICI Bank is available at a Price to book of 2.6 (FY22)

Date of Investment : Dec 2018
Investment Price : Rs. 341 per share

Current Price : Rs. 598 per share
Total return (%) : 75% (2.2 years)



CEP – Portfolio Construct



Portfolio Name	Core Equity Portfolio
Structure	Discretionary PMS
Nature	Open ended
Market cap	Multi cap
Investment Approach	The portfolio invests or proposes to invest in listed equity & equity related instruments with the aim of generating long term capital appreciation & income in the form of dividends. It can also invest in money market instruments & units of mutual fund. Stock selection is done through a combination of 'Bottom up' approach i.e. analyzing the fundamental attributes of the company & competition & 'Top down' approach i.e. analyzing the macro economic factors & industry growth characteristics. Features of the companies can include – High quality with consistency in growth, high ROE, low leverage & high potential for growth. It is a Multicap portfolio unconstrained by any market segments like market capitalization (large cap – mid cap), sectors, themes etc.
No of stocks	25-30
Investment Manager	Aditya Birla Sun Life AMC Limited (ABSLAMC)
Benchmark	Nifty 500
Portfolio Manager(s)	Vishal Gajwani, Natasha Lulla
Tenure	Minimum 3 years
Minimum Investment	Rs. 50 lakhs
Management fee	2.5% per annum (Exclusive of Taxes)
Performance fee	Nil
Operating expenses	Please refer to Appendix A- Client Fee Schedule



A Balasubramanian, Chief Executive Officer

- A Balasubramanian has over 29 years' experience in the Mutual Fund Industry and has been with Aditya Birla Sun Life AMC Ltd since inception. Previously worked with GIC Mutual Fund Currently, he is on the Board of Governors of SEBI established National Institute of Securities Markets (NISM).
- He has done Diploma in Financial Management, AMP from IIM, Bangalore, MBA from GlobalNxt University, Malaysia, Advanced Management Programme from Harvard University.



Vishal Gajwani, Head - Alternate Investments (Equity)

- With over 14 years of experience in equity research and portfolio management, Vishal has extensive experience of researching companies across sectors and market capitalizations. Prior to this assignment he was a part of Reliance Portfolio Management Services (a part of Reliance Capital Asset Management), where he was designated as an Assistant Fund Manager and was responsible for managing equity portfolios
- He is a Gold Medalist Chartered Accountant (ICAI, India) and holds a Masters degree in Commerce from M. S. University of Baroda. Vishal received 4 Gold Medals, including the Chancellor's Gold Medal, for topping the Master of Commerce Exams. Vishal is also a CFA charter holder from the CFA Institute (The Global Association of Investment Professionals), USA



Natasha Lulla, Portfolio Manager

- Over 13 years of experience in equity research and fund management. Prior to joining Aditya Birla Sun Life PMS, she was working with Goldman Sachs as an equity analyst covering India Materials sector. In her earlier stint at Goldman, she was doing Portfolio Strategy for ASEAN regions and also covered Singapore Real Estate.
- She holds a Masters in Business Administration (Finance Major) from Management Development Institute, Gurgaon and was the Gold Medallist for each of the two years. She was also awarded a Gold Medal for achieving 1st rank in the Finance stream. She has done her graduation in Economics from Lady Shri Ram College, New Delhi and graduated amongst the top 1% in Delhi University

Risk Factors associated with investments in Equity & Equity related securities:

- Risk arising from the investment objective, investment strategy, asset allocation and quant model risk:
- Market risk, political and geopolitical risk and risk arising from changing business dynamics, which may affect portfolio returns. At times, portfolios of individual clients may be concentrated in certain companies/industries. The performance of the portfolios would depend on the performance of such companies / industries / sectors of the economy.
- The portfolio proposes to invest in equity and equity related securities. Equity and Equity related securities by nature are volatile and prone to price fluctuations on a daily basis due to both macro and micro factors.
- The value of the portfolio will fluctuate as the daily prices of the individual securities in which they invest fluctuate and may be worth more or less than its original cost, at a given point in time.
- In respect of investments in equity and equity-related instruments, there may be risks associated with trading volumes, settlement periods and transfer procedures that may restrict liquidity of investments in equity and equity related securities.
- The value of the portfolio may be affected generally by factors affecting securities markets, such as price and volume volatility in the capital markets, interest rates, currency exchange rates, changes in policies of the Government, taxation laws or policies of any appropriate authority and other political and economic developments and closure of stock exchanges which may have an adverse bearing on individual securities, a specific sector or all sectors including equity and debt markets.
- Within the regulatory limits applicable at any point in time, the Portfolio Manager may choose to invest in unlisted securities that offer attractive yields. Securities, which are not quoted on the stock exchanges, are inherently illiquid in nature and carry a larger amount of liquidity risk, in comparison to securities that are listed on the exchanges or offer other exit options to the investor, including a put option. This may however increase the risk of the portfolio. The liquidity and valuation of the portfolio's investments due to their holdings of unlisted securities may be affected if they have to be sold prior to their target date of disinvestments
- Investment made in unlisted equity or equity-related securities may only be realizable upon listing of these securities. Settlement problems could cause the portfolio to miss certain investment opportunities.
- Investors may note that Portfolio Manager's investment decisions may not always be profitable, as actual market movements may be at variance with anticipated trends.
- Though the constituent stocks of most indices are typically liquid, liquidity differs across stocks. Due to the heterogeneity in liquidity in the capital market segment, trades on this segment may not get implemented instantly.
- The portfolio may have higher concentration towards a particular stock or sector, at a given point in time. Any change in government policy or any other adverse development with respect to such a stock or the sector, may adversely affect the value of the portfolio.
- The Portfolio Manager does not intend to invest in foreign securities.
- The Portfolio Manager does not intend to engage in short selling or stock lending.
- The portfolio also proposes to invest in derivative instruments. However, the portfolio manager does not intend to write options. The Portfolio manager intends to use exchange traded derivatives as a hedging tool & does not intend to take any naked positions. Nevertheless, trading in derivatives market has risks and issues concerning the use of derivatives that investor should understand. Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds.

- Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Even a small price movement in the underlying security could have a large impact on their value. Execution of such strategies depends upon the ability of the Portfolio Manager to identify such opportunities. Identification and execution of such strategies to be persuaded by the Portfolio Manager involve uncertainty and decision of the Portfolio Manager may not always be profitable. No assurance can be given that the Portfolio Manager shall be able to identify or execute such strategies.
- The risks associated with the use of derivatives are different from or possibly greater than, the risk associated with investing directly in securities and other traditional investments. As and when the product trades in the derivatives market there are risk factors and issues concerning the use of derivatives that investors should understand. Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself.
- Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price or interest rate movements correctly. There is a possibility that loss may be sustained by the portfolio as a result of the failure of another party (usually referred as the “counter party”) to comply with the terms of the derivatives contract. Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices. Thus, derivatives are highly leveraged instruments. Even a small price movement in the underlying security could have a large impact on their value.
- The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself. Derivatives require the maintenance of adequate controls to monitor transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price or interest rate movements correctly. There is a possibility that loss may be sustained by the portfolio as a result of the failure of another party (usually referred as the “counter party”) to comply with the terms of the derivatives contract. Derivative trades involve execution risks, whereby the rates seen on the screen may not be the rate at which ultimate execution takes place. The options buyer’s risk is limited to the premium paid, while the risk of an options writer is unlimited. However, the gains of an options writer are limited to the premiums earned. The writer of a put option bears the risk of loss if the value of the underlying asset declines below the exercise price. The writer of a call option bears a risk of loss if the value of the underlying asset increases above the exercise price. Investments in index futures face the same risk as the investments in a portfolio of shares representing an index. The extent of loss is the same as in the underlying stocks. Risk of loss in trading futures contracts can be substantial, because of the low margin deposits required, the extremely high degree of leverage involved in futures pricing and potential high volatility of the futures markets.
- The derivatives market in India is nascent and does not have the volumes that may be seen in other developed markets, which may result in volatility in the values. The Portfolio Manager may, from time to time, invest any un-deployed funds in Liquid Portfolio of PMS or in money market instruments. Though the portfolio of liquid funds comprises of short-term deposits, government securities and money market instruments, they cannot be considered as totally risk free. This is because liquidity patterns and short term interest rates of the government change, sometimes on a daily basis, thereby making the fund susceptible. Liquid Portfolio returns are not guaranteed and it entirely depends on market movements.
- Disclaimer: The views expressed above are the views of the Fund Managers of Core Equity Portfolio. They should not be construed as investment advice.
- Investments in securities are subject to market risks and there can be no assurance or guarantee that the objectives of the Product will be achieved. **Past performance may or may not be sustained in future.**
- **Regulatory Disclosure: All investors have the option to invest directly with ABSLAMC-Portfolio Manager**

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Reach us at our dedicated PMS toll free No: 1800 270 7000

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