

# India Capital Growth Fund

30 APRIL 2020

India Capital  
GROWTH FUND

## Net Asset Value

The Net Asset Value (NAV) per share as at 30 April 2020 was 64.52 pence. In April the NAV was up 12.1% in Sterling terms, whilst the BSE MidCap TR Index was up 13.0%, delivering an under performance against the notional benchmark of 0.9%. In local currency terms, the NAV was up 12.8% for the month.

## Portfolio activity

**New purchases** CCL Products

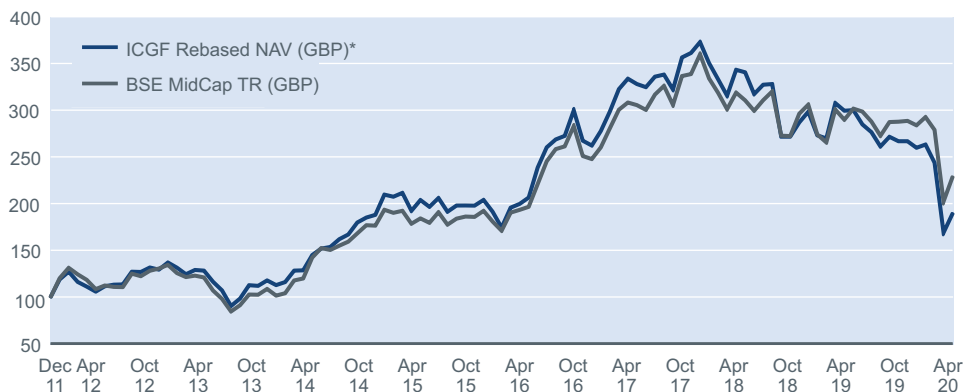
**Exits** None

## Holdings in focus

**CCL Products** (CCL) is the newest entry into our portfolio but has been in the coffee business since 1994. Today it is the world's largest private label instant coffee manufacturer with operations spread across India, Vietnam and Switzerland. CCL's strength is its growing customer base which is both dispersed (across 90 countries) and sticky (selling over 200 unique blends). More recently, the company has also launched its own brand 'Continental Coffee' in India to take on the market leader Nestlé. Three competitive advantages – a) low cost manufacturing with economies of scale, b) strong reputation in the market with consistency in quality and long term client relationships c) technical know-how to produce high-quality instant coffee using all grades of raw coffee beans. CCL's earnings have compounded 19% CAGR over the last five years and demand for its products remain strong (including during COVID-19). We expect the company to grow its earnings at 15%+ CAGR over the next three years driven by both volume growth and increased profitability (mix and productivity). Success in its domestic branded market play could lead to a further rerating of the business.

**PI Industries** (PI) is our largest holding which we have owned for over three years. It is one of India's leading agrochemical companies, operating in two business segments: domestic agri-inputs (~35% of sales) and custom synthesis & manufacturing (CSM ~65% of sales). The company is benefiting from a strategy it adopted in the early 1990s of a) respecting IP and partnering with global players rather than competing; b) focusing on ~20 new generation products vs. ~100 for peers; and c) R&D strength. Today it is the partner of choice for global agrochemical companies. In the domestic market PI follows a co-marketing or in-licensing model wherein the licensee benefits from PI's distribution network (10,000+ dealers) while PI can bring a novel product to market under exclusivity following a lengthy registration process. In CSM, it offers contract research and production for global innovators. This business has scaled up significantly with an order pipeline 3x of current revenues. We expect strong long-term growth trajectory for PI with a) higher outsourcing from global agrochemicals and shifting of capacities to India from Europe/China, b) continued investments in R&D c) sticky client relationships led by transparency and timely deliveries. We expect the company to annually grow its earnings at over 20% for the next three to four years, generating an ROCE of 22-24%.

## Rebased NAV Performance since 31 December 2011 (%)



Source: Ocean Dial Asset Management Limited, Bloomberg

## Performance (%)

	1m	3m	6m	1yr	3yr	5yr
ICGF Rebased NAV*	12.1	(28.1)	(29.0)	(36.8)	(43.3)	(1.5)
ICGF NAV	12.1	(28.1)	(29.0)	(36.8)	(43.3)	(9.2)
BSE MidCap TR Index	13.0	(21.9)	(20.5)	(21.1)	(25.8)	28.1

\*The Rebased NAV is the fairest representation of the Manager's performance across all periods excluding the dilutive effect of the new ordinary shares issued on 8 August 2016 following the exercise of subscription share rights.

Source: Ocean Dial Asset Management Limited, Bloomberg

## Fund information

Listing	LSE Main Market
Domicile	Guernsey
NAV publication	Monthly (daily estimate)
Size (NAV)	£72.6m
Launch	22 December 2005
Adviser start	31 December 2011
Portfolio Manager	David Cornell
Portfolio Adviser	Gaurav Narain
Benchmark	S&P BSE MidCap TR
AMC	1.25%
Share price / NAV per share (p)	43.00 / 64.52

## Portfolio characteristics

Number of holdings	35
Median market cap	£607m
PE FY20e	15.4
ROE (3y Avg)	15.7%
Tracking Error	5.6%
Active Share	83.5%

## India highlights

	MTD	YTD
BSE 500	15%	(23%)
iShares MSCI Asia ex-Japan	7%	(13%)
iShares MSCI EM Index	7%	(18%)
INR vs US\$ [stronger/(weaker)]	0%	(5%)
FII Net flows (US\$m)	(31)	(6,634)
DII Net flows (US\$m)	(107)	10,031

## Macro indicators

CPI inflation (March / 3m avg)	5.9%	6.7%
GDP Q3 FY20		4.7%
Current account/GDP Q4 FY20		(0.9%)

Source: Ocean Dial Asset Management Limited

## Team commentary

April	<a href="#">Monthly Book Review: Merger Masters – Tales of Arbitrage</a>
16 April	<a href="#">In conversation – The virus, lockdown, portfolio activity, balance sheet risk new ideas</a>
16 March	<a href="#">Covid-19 – What's the Indian market pricing in?</a>
3 February	<a href="#">The Great Indian Budget "Tamasha"</a>
15 January	<a href="#">Process evolution: Storm in teacup: fragility and Goldilocks</a>

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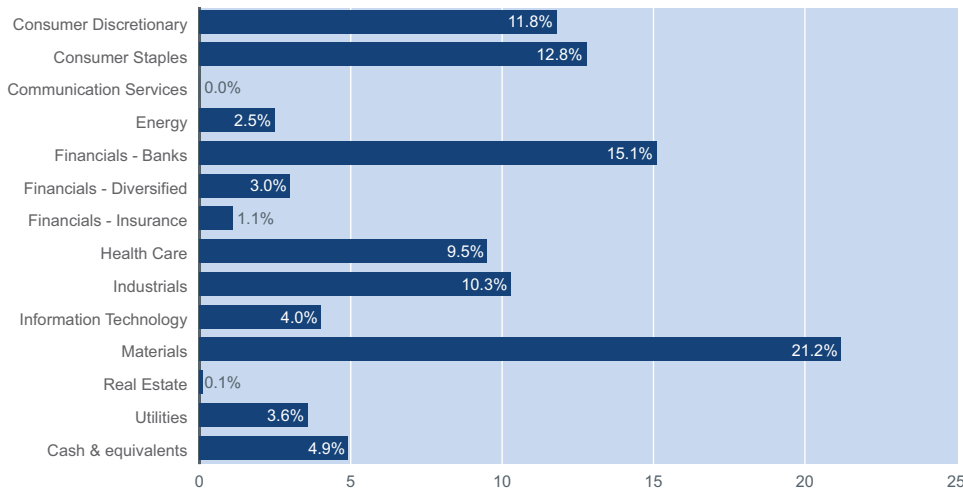
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## Top ten holdings

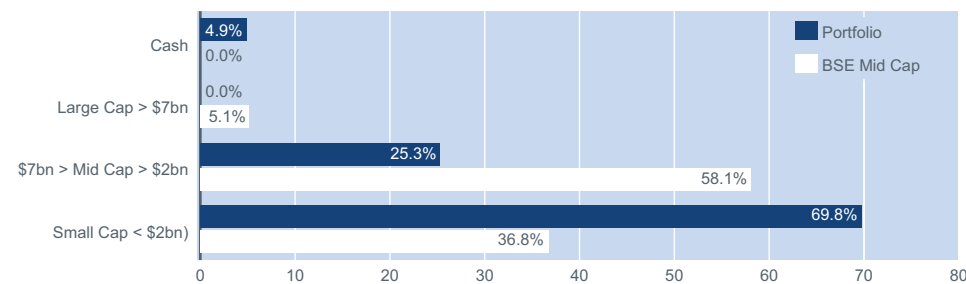
Portfolio Company	Weight (%)	Characteristics
PI Industries	6.7	Quality agro-chemical company, high visibility, strong industry tailwinds in global supply chains
Divi's Laboratories	6.2	Quality pharmaceutical custom research / API manufacturer, strong industry tailwinds in global supply chains
Federal Bank	5.4	Well run mid-sized private sector bank, attractive valuations
Jyothy Laboratories	4.2	Well diversified consumer portfolio, attractive valuations
Bajaj Consumer Care	3.8	Highly profitable, niche consumer business, at deep value
Berger Paints India	3.8	Consistent compounder with limited competition
Gujarat Gas	3.6	Key beneficiary of India's transition to cleaner energy
City Union Bank	3.6	High quality regional bank, consistent compounder, dominant in SME lending
Tech Mahindra	3.6	IT services, leads telecommunications vertical with structural tailwinds
Emami	3.5	Dominant player across multiple niche consumer product categories, attractive valuations

Source: Ocean Dial Asset Management Limited, Bloomberg

## Portfolio analysis by sector



## Portfolio analysis by market capitalisation



Source: Ocean Dial Asset Management Limited, Bloomberg

## Quarterly attribution – 3 months to 30 April 2020 (%)

Top 5	Weight	Index weight	Return	Contribution
Divi's Laboratories	5.1	4.3	19.9	1.1
Aurobindo Pharma	1.8	0.0	18.2	0.6
PI Industries	5.6	0.0	0.2	0.5
Aegis Logistics	1.0	0.0	(13.1)	0.3
Neuland Laboratories	1.3	0.0	3.8	0.3

Bottom 5	Weight	Index weight	Return	Contribution
IndusInd Bank	1.8	0.0	(61.0)	(1.7)
Tech Mahindra	4.2	0.0	(35.6)	(1.8)
City Union Bank	4.1	0.0	(38.8)	(2.2)
DCB Bank	4.3	0.0	(52.8)	(3.4)
Federal Bank	6.2	1.9	(44.9)	(3.9)

Source: Ocean Dial Asset Management Limited, Statpro

## Fund adviser



Gaurav Narain joined the Group in November 2011, having been immersed in the Indian equity markets for the previous 21 years. He has held senior positions as both a fund manager and an equities analyst in New Horizon Investments, ING Investment Management India and SG (Asia) Securities India. He holds a Masters degree in Finance and Control and a Bachelor of Economics degree from Delhi University.

## Investment philosophy

The investment manager believes that in India, optimal returns will be generated over time by investing in companies that are well placed to benefit from the structural growth potential of the Indian economy, combined with the highest quality of management best able to exploit this opportunity. The fund uses a consistent and disciplined bottom up stock picking process to select investments from our best ideas, unconstrained by a benchmark.

## Investment objective

To provide long term capital appreciation by investing predominantly in listed mid and small cap Indian companies. Investments may also be made in unquoted Indian companies where the Fund Manager believes long-term capital appreciation will be achieved. The Company may hold liquid assets (including cash) pending deployment in suitable investments. It is the Company's declared policy not to hedge exposure to the Indian Rupee.

## Capital structure

112,502,173 ordinary shares in issue.

## Board

Elisabeth Scott (Chairman)  
Peter Niven  
John Whittle

## Other advisers

### Administrator

Apex Fund and Corporate Services (Guernsey) Limited

### Broker

Shore Capital Stockbrokers Limited

### Registrar and CREST Agent

Neville Registrars Limited

## Manager

Ocean Dial Asset Management Limited is authorised and regulated by the Financial Conduct Authority.

Tel: +44 (0) 20 7068 9870

Email: [enquiries@oceandial.com](mailto:enquiries@oceandial.com)

## Website

[www.indiacapitalgrowth.com](http://www.indiacapitalgrowth.com)

## Important information

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