

## Net Asset Value

The Net Asset Value (NAV) per share as at 30 October 2020 was 86.78 pence. In October the NAV was up 0.76% in Sterling terms, whilst the BSE MidCap TR Index was down 0.28%. In local currency terms, the NAV was up 2.46% for the month.

## Portfolio activity

**New purchases** Persistent Systems      **Exits** None

## Holdings in focus

**IndusInd Bank** is the fifth largest private sector bank in India with ~\$28bn in outstanding advances and a pan-nation network of 1,911 branches. A strong consumer franchise on the liability side, along with a dominant position in vehicle financing and a high fee generating corporate loan book enabled the bank to achieve among the highest return on assets amongst its peers between 2014-18. It subsequently went through a difficult period during India's liquidity crunch in 2019 as large ticket corporate loans turned non-performing leading to a de-rating of the bank's shares. The bank acted fast to recognise and provision for most of the asset stress and has also built a granular retail franchise on both sides of the balance sheet. During a difficult period where competitors struggled for funding, IndusInd's deposits grew at 15.4% CAGR between FY18 and FY20. Despite raising deposits at a higher cost, the bank has managed to maintain its NIMs, primarily due to the inherent strength of its consumer loan book. Over FY21, we expect this portion to make up to 60% of total loans. A newly appointed CEO, Sumant Kathpalia, aims to shift its strategic focus away from project financing to short term corporate loans. With a cleaner asset book and a recent \$450m equity raise, we believe IndusInd Bank has all the right ingredients in place to consolidate its position and gain market share. It is an attractive value play with a favourable risk reward ratio.

**Ramco Cement** is the fifth largest cement manufacturer in India and has consistently been among the most profitable companies in the sector. It is the market leader in South India and has gradually been expanding its presence eastwards taking its capacity to 20.8 million tonnes by FY21. It has delivered five years of annual growth in revenues of 8%, EBITDA of 10% and PAT of 20%. It has achieved this on the back of three core strengths; 1) over 90% of its volumes are sold through the retail segment which gives superior realisation. It offers twelve unique cement products for different applications and has built a strong brand, being the largest advertiser in the industry. 2) Cost leadership; one of the lowest cost producers due to its close proximity to raw material suppliers, end consumer markets, seaports and captive power generation. 3) An extensive dealer network with a focus on rural India to ensure deeper penetration. Over the seven years we have held Ramco it has generated an absolute return of 425%. We continue to like its strategy of focusing on the retail segment and with a perfectly timed capacity expansion it remains a key beneficiary of improving cement demand driven by affordable and rural housing supported by a good monsoon, and a revival of infrastructure projects in India.

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



Source: Ocean Dial Asset Management Limited, Bloomberg

## Performance (%)

	1m	3m	6m	1yr	3yr	5yr
ICGF Rebased NAV*	0.8	19.5	34.5	(4.5)	(28.6)	28.7
ICGF NAV	0.8	19.5	34.5	(4.5)	(28.6)	19.6
BSE MidCap TR Index	(0.3)	10.6	21.2	(3.7)	(17.7)	48.9

\*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)	£97.6m
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% of market cap
Share price / NAV per share (p)	69.80 / 86.78

## Portfolio characteristics

Number of holdings	34
Median market cap	£929m
PE FY20	23.9
ROE (3y Avg)	16.4%
Tracking Error	8.0%
Active Share	89.8%

## India highlights

	MTD	YTD
BSE-500 (US\$)	2.2%	(6.4%)
iShares MSCI Asia ex-Japan (US\$)	1.9%	7.4%
iShares MSCI EM Index (US\$)	1.4%	0.2%
INR vs US\$ [stronger/(weaker)]	(0.5%)	(3.8%)
FII Net flows (US\$m)	2,506	6,546
DII Net flows (US\$m)	(2,357)	6,669

## Macro indicators

CPI inflation (September / 3m avg)	7.3%	6.9%
GDP Q1 FY21		(23.9%)
Current account/GDP Q1 FY21		0.4%

Source: Ocean Dial Asset Management Limited

## Team commentary

5 November	<a href="#">In Conversation - Early adopters are focusing on India once again</a>
31 October	<a href="#">Monthly Book Review - Atomic Habits</a>
28 October	<a href="#">One year up...</a>
30 September	<a href="#">Monthly Book Review - The Order of Time</a>
23 September	<a href="#">In Conversation - India Capital Growth Fund: Cutting through the noise</a>
3 September	<a href="#">India Capital Growth Fund - Investing in Pandemic times</a>

# India Capital Growth Fund

OCTOBER 2020

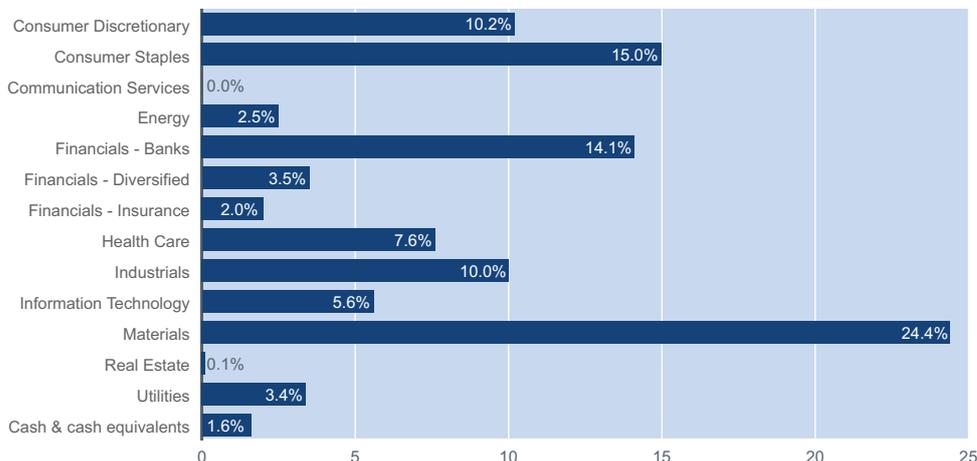
# India Capital GROWTH FUND

## Top ten holdings

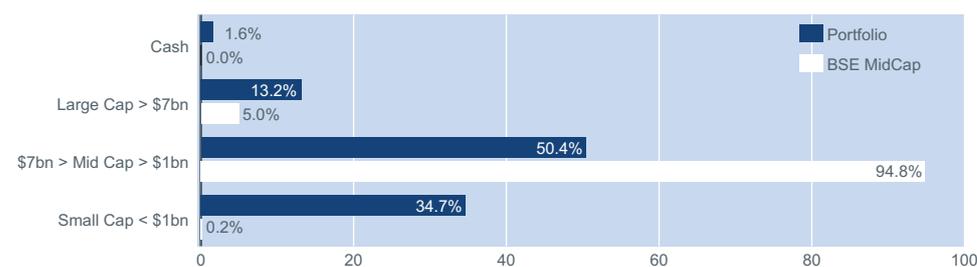
Portfolio Company	Weight	Characteristics	Market cap
PI Industries	5.6%	Quality agro-chemical company, high visibility, strong industry tailwinds in global supply chains	£3bn
Emami	5.4%	Dominant player across multiple niche consumer product categories, attractive valuations	£2bn
Federal Bank	4.5%	Well run mid-sized private sector bank, attractive valuations	£1bn
Divi's Laboratories	4.4%	Quality pharmaceutical custom research / API manufacturer, strong industry tailwinds in global supply chains	£9bn
Tech Mahindra	4.1%	IT services, leads telecommunications vertical with structural tailwinds	£8bn
IndusInd Bank	4.1%	Fifth largest private sector bank in India and poised to gain market share. Value play with ebbing asset quality concerns	£5bn
Jyothy Laboratories	3.6%	Well diversified consumer portfolio, attractive valuations	£518m
Multi Commodity Exchange	3.5%	Quality business with high growth and attractive valuations	£900m
Gujarat Gas	3.4%	Key beneficiary of India's transition to cleaner energy	£2bn
Welspun India	3.3%	India's largest home textile company, strong industry tailwinds in global supply chains and increased consumer focus on health	£729m

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 October 2020 (%)

Top 5	Ave. weight	Ave. index weight	Return	Contribution
Emami	5.32	0.95	53.80	2.44
Welspun India	3.27	0.00	81.60	2.06
Ramkrishna Forgings	2.01	0.00	163.38	1.87
PI Industries	5.76	0.91	27.25	1.60
Divi's Laboratories	5.44	2.90	22.38	1.42
Bottom 5	Ave. weight	Ave. index weight	Return	Contribution
British Pound	0.40	0.00	0.00	0.00
ICICI Lombard General Insurance	2.21	0.00	(3.37)	(0.04)
JK Lakshmi Cement	3.05	0.00	0.44	(0.06)
Persistent Systems	0.24	0.00	(14.21)	(0.11)
Federal Bank	4.56	1.38	(4.61)	(0.23)

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  
Patrick Firth

## 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.

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## Important information

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Interests in the Fund have not been and will not be registered under any securities laws of the United States of America or its territories or possessions or areas subject to its jurisdiction, and may not be offered for sale or sold to nationals or residents thereof except pursuant to an exemption from the registration requirements of the U.S. Securities Act of 1933, as amended (the "Securities Act"), and any applicable state laws. While all reasonable care has been taken in the preparation of this document, no warranty is given on the accuracy of the information contained herein, nor is any responsibility or liability accepted for any errors of fact or any opinions expressed herein.

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Where reference to a specific Class of security is made, it is for illustrative purposes only and should not be regarded as a recommendation to buy or sell that security. Market index information shown herein such as that of the S&P BSE Midcap TR is included to show relative market performance for the periods indicated and not as standards of comparison, since indices are unmanaged, broadly based and differ in numerous respects from the Fund.

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