

# India Capital Growth Fund

SEPTEMBER 2021

India Capital  
GROWTH FUND

## Net Asset Value

The Net Asset Value (NAV) per share as at 30 September 2021 was 136.61 pence. In September the NAV was up 3.93% in Sterling terms, whilst the BSE MidCap TR Index was up 7.18%. In local currency terms, the NAV was up 2.82% for the month.

## Portfolio activity

**New purchases** None **Exits** ICICI Lombard Gen Ins

## Holdings in focus

**PSP Projects** is a construction company specialising in industrial buildings, hospitals, residential complexes, corporate offices, and retail malls. It provides a one stop shop ranging from planning and design, to construction and post-construction solutions. Its strength has been its timely execution of projects for large corporate houses, institutions as well as marquee Government projects. This has led to long term relationships and repeat business. Its predominant region of operations are Western Indian states of Gujarat and Maharashtra, and now it has diversified its footprint in the Northern Indian state of Uttar Pradesh. It has a strong track record of completing around 70 projects over the past 4 years and has an order book of around Rs.40bn, which is over 3x its FY21 revenues. PSP is a play on the strong growth anticipated in the Indian economy. There has already been a policy push on infrastructure development over the past 10-12 quarters, and PSP has won several projects to set up medical infrastructure like Hospitals. There is also traction from the corporate sector and with the real estate sector also seeing a revival, the outlook remains robust. PSP has also recently set up its own Pre-Cast plant, which will further aid in timely execution. PSP has consistently maintained healthy double-digit margins and has a strong balance sheet with return ratios of over 20%. We expect PSP to experience robust growth and healthy margins in the next couple of years.

**Welspun** is India's largest home textile company with a presence in cotton bedsheets, towels, rugs and carpets. It is Asia's largest and the world's second largest terry towel producer. It exports more than 94% of its home textile products to more than 50 countries. 65% goes to the USA, 25% to Europe and the balance to the Middle East, Australia and Japan. It supplies to 18 of the top 30 retail chains in the world. The company's strength is its integrated manufacturing facilities and focus on innovation. It has 32 patents with over 43% of revenues coming from innovative products. Welspun is also diversifying its revenue base by launching its own brands in domestic and overseas markets (Spaces, Welspun, Christy) as well as forays into new segments like flooring (carpets & tiles) and technical textiles (such as wipes and surgical masks). Big retailers globally have started to de-risk their sourcing from China. Furthermore, the Indian government has put in place policies and an incentive system, which are expected to benefit large players like Welspun. Return on capital ratios are set to rise to over 15% in the next 3 years. These factors should lead to a rerating of the business.

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



Source: Ocean Dial Asset Management Limited, Bloomberg

## Performance (%)

	1m	3m	6m	1yr	3yr	5yr
ICGF Rebased NAV <sup>1</sup>	3.9	9.1	26.1	58.6	47.6	47.1
ICGF NAV	3.9	9.1	26.1	58.6	47.6	47.1
BSE MidCap TR Index	7.2	15.9	27.2	64.7	67.8	75.2

<sup>1</sup> 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)	£153.69m
Launch	22 December 2005
Adviser start	31 December 2011
Portfolio Manager	Ocean Dial Asset Management
Portfolio Adviser	Gaurav Narain
Benchmark	S&P BSE MidCap TR
AMC	1.25% of market cap
Share price / NAV per share (p)	124.50 / 136.61
Discount to NAV	8.87%

## Portfolio characteristics

Number of holdings	32
Median market cap	£1.6bn
PE FY23E	18.0
ROE (3y Avg)	19.0%
Tracking Error	6.9%
Active Share	92.5%

## India highlights

	MTD	YTD
BSE 500 (US\$)	1.8%	28.7%
iShares MSCI Asia ex-Japan (US\$)	(4.3%)	(4.9%)
iShares MSCI EM Index (US\$)	(3.9%)	(2.1%)
INR vs US\$ [stronger/(weaker)]	(1.7%)	(1.6%)
FII Net flows (US\$m)	1,524	8,614
DII Net flows (US\$m)	545	3,704

## Macro indicators

CPI inflation (August/3m avg)	5.3%	5.7%
GDP Q1 FY22		20.1%
Current account/GDP Q1 FY22		0.4%

Source: Ocean Dial Asset Management Limited

## Team commentary

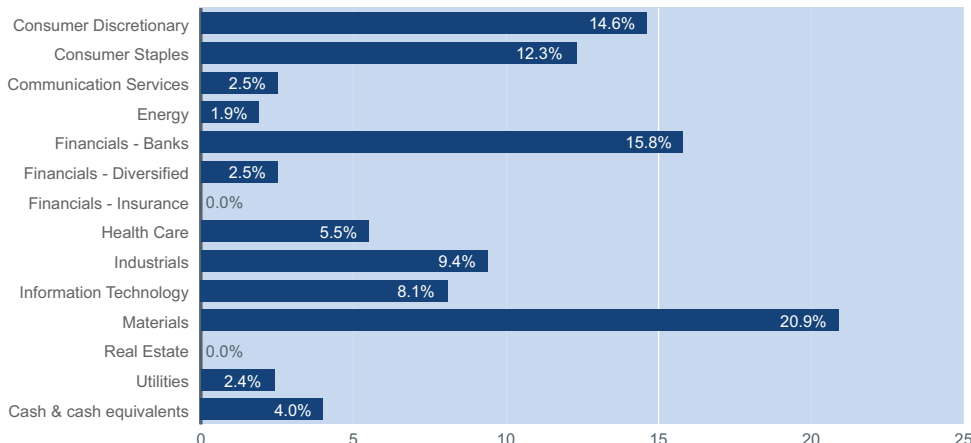
- 30 September [Monthly Book Review - zero-to-one-notes-on-startups-or-how-to-build-the-future](#)
- 14 September [Mello Trusts and Funds - David Cornell and Gaurav Narain present the investment case for India at Mello Trust and Funds' virtual conference](#)
- 31 August [Monthly Book Review - Tiananmen Square](#)
- 31 July [Monthly Book Review - Talking to Strangers](#)
- 13 July [HOODcast - Industry Leaders: Welspun India \(discussion on the note\)](#)

## Top ten holdings

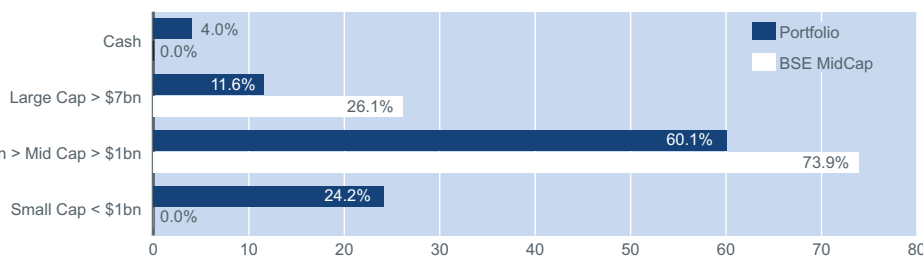
Portfolio Company	Weight	Characteristics	Market cap
Federal Bank	5.8%	Well run mid-sized private sector bank, attractive valuations	£2bn
Emami	4.9%	Dominant player across multiple niche consumer product categories, attractive valuations	£3bn
Welspun India	4.9%	India's largest home textile company, strong industry tailwinds in global supply chains and increased consumer focus on health	£2bn
Ramkrishna Forgings	4.8%	Auto ancillary company manufacturing forgings for commercial vehicles in both domestic and international markets	£347m
IndusInd Bank	4.6%	Fifth largest private sector bank in India and poised to gain market share. Value play with ebbing asset quality concerns	£9bn
Tech Mahindra	4.2%	IT services, leads telecommunications vertical with structural tailwinds	£13bn
Persistent Systems	3.9%	IT services company benefitting from 'digital transformation' of businesses globally	£3bn
PI Industries	3.9%	Quality agro-chemical company, high visibility, strong industry tailwinds in global supply chains	£5bn
Kajaria Ceramics	3.6%	Ceramic tile manufacturer, gaining market share from the unorganised sector following restrictions surrounding coal gasifiers	£2bn
Sagar Cements	3.4%	Fastest growing cement player in Southern India with strong technical manufacturing expertise and sharp focus on efficiency and sustainability	£347m

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 31 September 2021 (%)

Top 5	Ave. weight	Ave. index weight	Return	Contribution
Welspun India	3.86	0.00	81.04	2.43
Ramkrishna Forgings	4.08	0.00	68.42	2.20
Tech Mahindra	4.08	0.00	33.37	1.24
Sagar Cements	3.20	0.00	38.52	1.05
Persistent Systems	3.51	0.00	30.64	1.00
Bottom 5	Ave. weight	Ave. index weight	Return	Contribution
Bajaj Consumer Care	2.07	0.00	(8.93)	(0.21)
Essel Propack	1.84	0.00	(11.00)	(0.26)
IDFC Bank	3.55	0.97	(9.37)	(0.43)
Neuland Laboratories	3.02	0.00	(25.80)	(0.88)
Aegis Logistics	2.50	0.00	(31.19)	(0.95)

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  
Lynne Duquemin

## 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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## Website

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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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