

# India Capital Growth Fund

NOVEMBER 2021

India Capital  
GROWTH FUND

## Net Asset Value

The Net Asset Value (NAV) per share as at 30 November 2021 was 131.72 pence. In November the NAV was down 0.48% in Sterling terms, whilst the BSE MidCap TR Index was up 0.88%. In local currency terms, the NAV was down 3.50% for the month.

## Portfolio activity

**New purchases** Jubilant Foodworks Limited **Exits** None

## Holdings in focus

**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 in eastwards taking its capacity to 22.8m tonnes by the end of FY22. It is in process of installing a Waste Heat Recovery System (WHRS) to 40 MW and has a wind power capacity of 166 MW. Over the last 5 years Ramco has overseen an annual rise in revenue and volumes by 8%, EBITDA by 10% and PAT by 20%. It has achieved this on the back of its three core strengths. 1) Over 90% of its volumes are sold through the retail segment which gives superior realisation. It offers 12 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) extensive dealer network with focus on rural India to ensure deeper penetration. Over the eight year period since we have held Ramco it has generated an absolute return of 542% in INR. We continue to like Ramco's strategy of focusing on the retail segment and with a well-timed capacity expansion it remains a key beneficiary of improving cement demand and pricing growth driven by a turnaround in the Real Estate sector in India, combined with a strong government focus on affordable housing and infrastructure projects.

**Jubilant Foodworks** is the largest food service company in India operating 2 international brands – Domino's Pizza and Dunkin' Donuts. Domino's is the largest Quick Service Restaurant (QSR) brand in India with 1435 stores across 307 cities. It has also launched Hong's Kitchen, a home-grown brand specialising in Chinese cuisine; Ekdum! – specialising in North Indian food; and has signed an agreement to run Popeyes across India, Bangladesh, Sri Lanka and Nepal. We believe Jubilant is fast converting into a food powerhouse with multiple brands backed by strong digital capabilities. Growth and profitability drivers are multifold. Because of Covid-19, there is increased scrutiny on hygiene, which will benefit strong QSR brands driving market share gains from informal players such as street food vendors. Jubilant pioneered the concept of home delivery in India with Domino's, which is a key driver of its higher profitability among its peers and it believes it can reach over 3000 Domino's stores in the medium term. Currently, 85% of orders are from the non-dine-in channel which is expected to stabilize at 75% as the economy opens gradually post-Covid. It gets ~80% of its orders through its own app which has over 70 million cumulative downloads. We forecast 55% CAGR in earnings from FY21-24 driven by a healthy store addition pipeline and margin resilience due to high SSSg and operating leverage. The bulk of its revenue come from Domino's currently and newer brands are yet to contribute, which we believe can be meaningful in the years to come given its expertise. Our reverse DCF analysis implies 8.6% CAGR in SSSg for 15 years. As such market expectations are manageable and do not factor in growth from new brands.

## 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>	(0.5)	0.2	11.7	38.1	34.8	44.6
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BSE MidCap TR Index	0.9	4.8	17.5	45.6	51.1	78.4

<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)	£148.04m
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)	124.00 / 131.72
Discount to NAV	5.86%

## Portfolio characteristics

Number of holdings	33
Median market cap	£1.5bn
PE FY23E	17.8
ROE (3y Avg)	19.6%
Tracking Error	7.0%
Active Share	92.2%

## India highlights

	MTD	YTD
BSE 500 (US\$)	(3.4%)	23.7%
iShares MSCI Asia ex-Japan (US\$)	(3.5%)	(6.8%)
iShares MSCI EM Index (US\$)	(4.1%)	(5.1%)
INR vs US\$ [stronger/(weaker)]	(0.4%)	(2.9%)
FII Net flows (US\$m)	(1,488)	5,587
DII Net flows (US\$m)	4,673	8,399

## Macro indicators

CPI inflation (October / 3m avg)	4.5%	4.7%
GDP Q2 FY22		8.4%
Current account/GDP Q1 FY22		0.4%

Source: Ocean Dial Asset Management Limited

## Team commentary

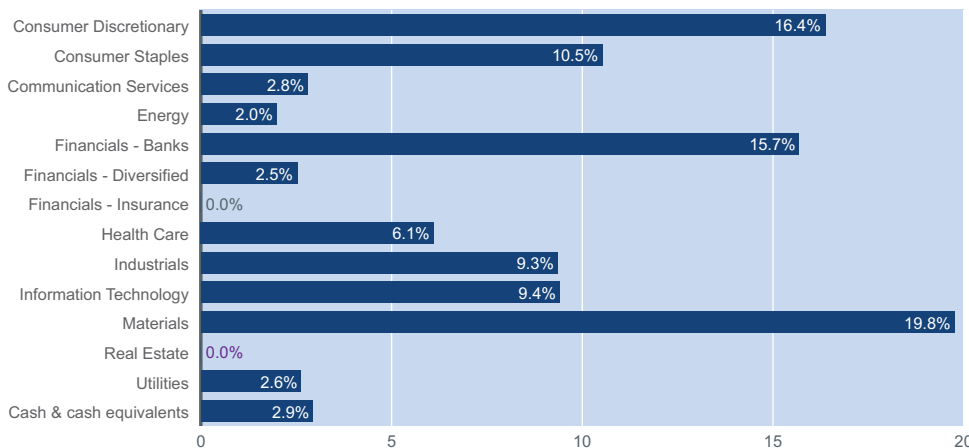
8 December	<a href="#">Monthly Book Review - Invested by Charles Schwab</a>
10 November	<a href="#">Monthly Book Review - Big mistakes: The best investors and their worst investments</a>
21 October	<a href="#">Hoodinar: Where next for India's equity investors?</a>
07 October	<a href="#">Monthly Book Review - Zero to one notes on startups or how to build the future</a>
14 September	<a href="#">Mello Trusts and Funds - David Cornell and Gaurav Narain present the investment case for India at Mello Trust and Funds' virtual conference</a>

## Top ten holdings

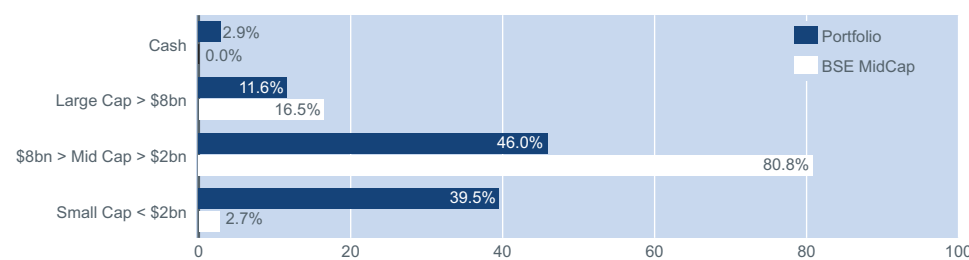
Portfolio Company	Weight	Characteristics	Market cap
Federal Bank	6.2%	Well run mid-sized private sector bank, attractive valuations	£2bn
Tech Mahindra	4.9%	IT services, leads telecommunications vertical with structural tailwinds	£15bn
Emami	4.7%	Dominant player across multiple niche consumer product categories, attractive valuations	£2bn
Persistent Systems	4.5%	IT services company benefitting from 'digital transformation' of businesses globally	£3bn
Ramkrishna Forgings	4.1%	Auto ancillary company manufacturing forgings for commercial vehicles in both domestic and international markets	£288m
Welspun India	4.1%	India's largest home textile company, strong industry tailwinds in global supply chains and increased consumer focus on health	£1bn
IndusInd Bank	3.8%	Fifth largest private sector bank in India and poised to gain market share. Value play with ebbing asset quality concerns	£7bn
PI Industries	3.7%	Quality agro-chemical company, high visibility, strong industry tailwinds in global supply chains	£4bn
Kajaria Ceramics	3.6%	Ceramic tile manufacturer, gaining market share from the unorganised sector following restrictions surrounding coal gasifiers	£2bn
IDFC Bank	3.3%	Well capitalised private sector retail bank. Digitally-focused and on a high growth trajectory	£3bn

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 November 2021 (%)

Top 5	Ave. weight	Ave. index weight	Return	Contribution
Sona BLW Precision Forgings	2.36	0.36	51.07	0.93
Persistent Systems	4.06	-	25.79	0.88
Finolex Cables	2.39	-	24.28	0.54
Dixon Technologies	2.84	-	23.81	0.54
Affle India	2.52	-	21.86	0.47
Bottom 5	Ave. weight	Ave. index weight	Return	Contribution
Ramkrishna Forgings	4.67	-	(8.02)	(0.36)
Skipper	2.09	-	(18.95)	(0.40)
IndusInd Bank	4.53	-	(10.17)	(0.40)
Emami	4.79	0.77	(10.26)	(0.49)
PI Industries	3.84	1.67	(14.59)	(0.60)

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.  
112,384,673 ordinary shares with voting rights.

## 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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