

## Net Asset Value

The Net Asset Value (NAV) per share as at 28 February 2022 was 119.83 pence. In February the NAV was down 9.04% in Sterling terms, whilst the BSE MidCap TR Index was down 5.15%. In local currency terms, the NAV was down 8.78% for the month.

## Portfolio activity

**New purchases** Vedant Fashions **Exits** Gujarat Gas

## Holdings in focus

**Vedant Fashion (Vedant)** is a garmenting company specialising in ethnic wear for weddings and celebratory occasions. 85% of its revenues come from its men's wear brand 'Manyavar', positioned as an aspirational yet value for money brand. In 2017, the company also launched 'Mohey' an ethnic women's wear brand. The ethnic wear market is large at an estimated size of US\$ 24bn (80% being women's wear). The market is highly fragmented largely due to supply chain issues and varying consumer preference across cities. The organized market is growing at 15-20% p.a. driven by 10m+ weddings annually, each wedding having 3-5 occasions and consumers getting more brand conscious. Vedant is the only national player in this market selling 3m+ garments annually. Its brand 'Manyavar' is over 20x the size of its nearest competitor. The company owes its success to its unique business model – asset light, extensive use of technology for supply chain efficiencies (outsourced from multiple artisans) and data analysis for forecasting. Hence, there is minimum deadstock or raw material wastage despite over 2500 Stock Keeping Units (SKUs). The company sells through franchisee led Exclusive Brand Outlets. They have a presence across 222 cities with a retail footprint of 578 stores and total size of 1.21m sq.ft. This is expanding at 15-16% annually. Vedant has impressive financial metrics. Revenues have compounded at 30% p.a. over FY10-20 and profits at 31% p.a. over FY17-20. It also has one of the highest operating margins (at 43%) in the industry and a strong debt free balance sheet with pre-tax ROCE of 48% (average FY19-20). All the above reflects in the pricing power the brand enjoys. The company is a key proxy to the rapidly rising trend of preference towards Indian-wear during festivals and celebrations. We expect Vedant Fashion's revenue to witness a growth of ~38% CAGR over FY21-24 and net profit CAGR of 49%.

**Aarti Industries (Aarti)** is India's leading specialty chemicals company focused on benzene-based specialty chemicals and pharmaceuticals. Using benzene as the key raw material, Aarti produces value-added products through multiple steps such as chlorination, nitration, hydrogenation and oxidation. The company has a portfolio of around 200+ products to serve more than 700 domestic and 400 global customers, across diverse applications such as polymers, agrochemicals, paints and pigments, pharma intermediates, APIs, fuel additives, home and personal care products. Aarti derives ~45% of its revenues from exports to customers across more than 60 countries. The global market shares of its various products range between 25-40%. The company is ranked among the five largest global companies for nearly 75% of its key products. It has 20 manufacturing plants and 4 R&D facilities. Aarti has emerged as a key beneficiary of the trend of global companies de-risking their supply chains out of China. The company has been aggressively expanding capacities and has entered into strategic long-term supply contracts with some key customers. Aarti is entering a high growth phase with both revenues and profits expected to double in the next 3 years. We see Aarti as an attractive play on the specialty chemicals sector in India due to its leadership position, integrated nature of operations, diversified customer base and a qualified management team with a focus on R&D.

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



Source: Ocean Dial Asset Management Limited, Bloomberg

## Performance (%)

	1m	3m	6m	1yr	3yr	5yr
ICGF NAV	(9.0)	(9.0)	(8.8)	12.4	30.4	17.8
BSE MidCap TR Index	(5.1)	(6.0)	(1.5)	19.4	58.4	49.9

<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)	£115.76m
Firmwide AUM	US\$288.6m
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)	102.00 / 119.83
Discount to NAV	14.88%

## Portfolio characteristics

Number of holdings	32
Median market cap	£1.7bn
PE FY23E	16.7
ROE (3y Avg)	18.0%
Tracking Error	7.9%
Active Share	91.4%

## India highlights

	MTD	YTD
BSE 500 (US\$)	(4.3%)	(6.0%)
iShares MSCI Asia ex-Japan (US\$)	(3.7%)	(4.9%)
iShares MSCI EM Index (US\$)	(4.3%)	(4.3%)
INR vs US\$ [stronger/(weaker)]	(1.0%)	(1.3%)
FII Net flows (US\$m)	(5,290)	(9,750)
DII Net flows (US\$m)	6,090	8,696

## Macro indicators

CPI inflation (January / 3m avg)	6.0%	5.5%
GDP Q3 FY22		5.4%
Current account/GDP Q2 FY22		(0.5%)

Source: Ocean Dial Asset Management Limited

## Team commentary

9 March	<a href="#">Monthly Book Review - Between the Devil and the Deep Blue Sea – Colin Freeman</a>
11 February	<a href="#">HOODnote: Digital Adoption</a>
10 February	<a href="#">HOODnote: India Budget - January 2022</a>
8 February	<a href="#">Monthly Book Review - The Innovator's Dilemma by Clayton M. Christensen</a>
26 January	<a href="#">Hoodfolio: 2022 Outlook and Portfolio Strategy</a>

# India Capital Growth Fund

FEBRUARY 2022

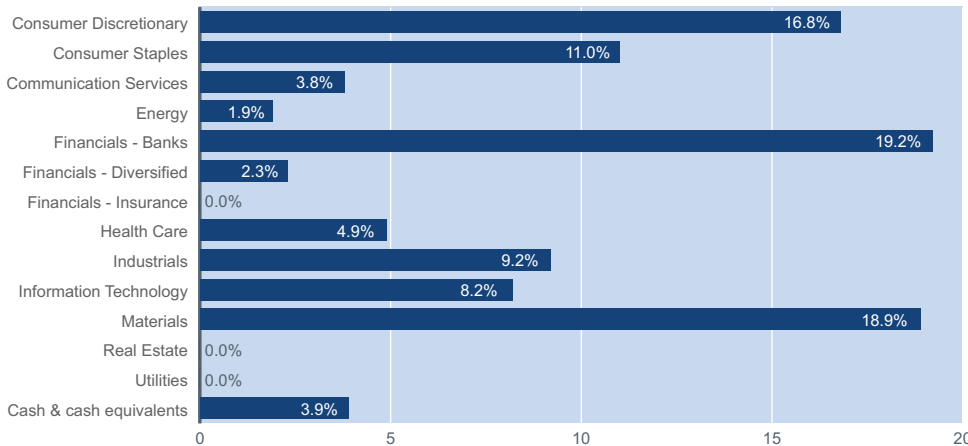
# India Capital GROWTH FUND

## Top ten holdings

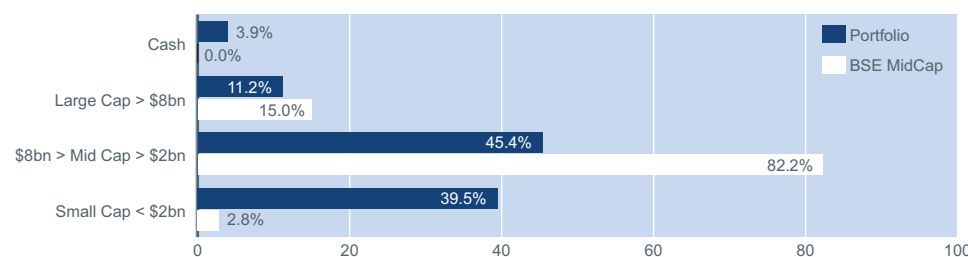
Portfolio Company	Weight	Characteristics	Market cap
Federal Bank	6.8%	Well run mid-sized private sector bank, attractive valuations	£2bn
Emami	5.0%	Dominant player across multiple niche consumer product categories, attractive valuations	£2bn
IndusInd Bank	4.6%	Fifth largest private sector bank in India and poised to gain market share. Value play with ebbing asset quality concerns	£7bn
IDFC Bank	4.4%	Well capitalised private sector retail bank. Digitally-focused and on a high growth trajectory	£3bn
Ramkrishna Forgings	4.3%	Auto ancillary company manufacturing forgings for commercial vehicles in both domestic and international markets	£257m
Persistent Systems	4.2%	IT services company benefitting from 'digital transformation' of businesses globally	£3bn
Tech Mahindra	4.0%	IT services, leads telecommunications vertical with structural tailwinds	£14bn
Affle India	3.8%	India's leading advertising technology company with high growth and profitability	£2bn
Welspun India	3.6%	India's largest home textile company, strong industry tailwinds in global supply chains and increased consumer focus on health	£1bn
City Union Bank	3.4%	High quality regional bank, consistent compounder, dominant in SME lending	£917m

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 28 February 2022 (%)

Top 5	Ave. weight	Ave. index weight	Return	Contribution
Federal Bank	6.15	1.26	10.72	0.46
CCL Products India	2.85	0.00	10.55	0.25
IndusInd Bank	4.08	0.00	3.30	0.10
Affle India	3.25	0.00	5.05	0.09
Bajaj Electricals	2.69	0.00	5.77	0.07
Bottom 5	Ave. weight	Ave. index weight	Return	Contribution
Aegis Logistics	2.05	0.00	(26.41)	(0.63)
Finolex Cables	2.23	0.00	(27.74)	(0.66)
JK Lakshmi Cement	2.40	0.00	(29.97)	(0.78)
Welspun India	4.19	0.00	(24.63)	(1.04)
Neuland Laboratories	2.80	0.00	(39.72)	(1.23)

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

96,680,857 ordinary shares in issue 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.

Tel: +44 (0) 20 7068 9870  
Email: [enquiries@oceandial.com](mailto:enquiries@oceandial.com)

## Website

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

## Important information

The information in this document does not constitute or contain an offer or invitation for the sale or purchase of any shares in the Fund in any jurisdiction, is not intended to form the basis of any investment decision, does not constitute any recommendation by the Fund, its directors, agents or advisers, is unaudited and provided for information purposes only and may include information from third party sources which has not been independently verified.

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.

Past performance is not a guide to future performance and investment markets and conditions can change rapidly. Emerging market equities can be more volatile than those of developed markets and equities in general are more volatile than bonds and cash. The value of your investment may go down as well as up and there is no guarantee that you will get back the amount that you invested. Currency movements may also have an adverse effect on the capital value of your investment. Investing in a country specific fund may be less liquid and more volatile than investing in a diversified fund in the developed markets. This Fund should be seen as a long term investment and you should read the London Stock Exchange Listing Prospectus published in December 2017 (the "Prospectus") whilst paying particular attention to the risk factors section before making an investment. Please refer to the Prospectus for specific risk factors.

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.

This document is issued by Ocean Dial Asset Management Limited and views expressed in this document reflect the views of Ocean Dial Asset Management Limited and its Mumbai based affiliated company and advisor, Ocean Dial Asset Management India Private Limited as at the date of publication.

This information may not be reproduced, redistributed or copied in whole or in part without the express consent of Ocean Dial Asset Management Limited. Ocean Dial Asset Management Limited is authorised and regulated by the Financial Conduct Authority in the United Kingdom. Registered office 13/14 Buckingham Street, London WC2N 6DF.