

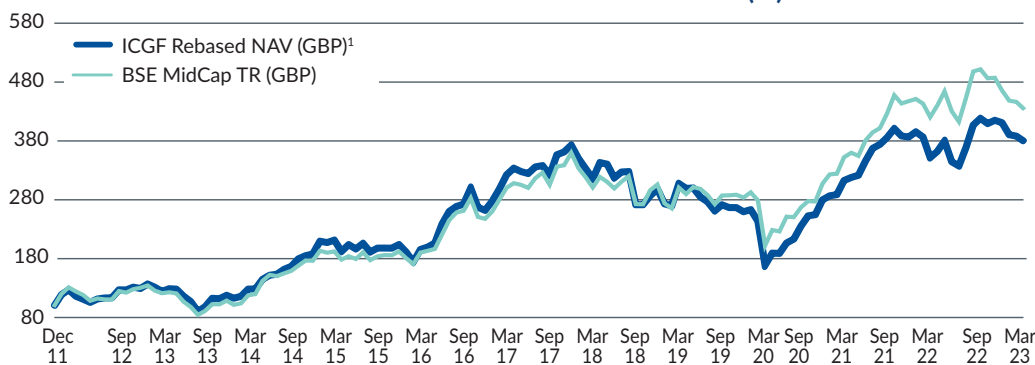
## PORTFOLIO AND MARKET UPDATE

During March, the BSE Sensex ended flat, though the mid and small cap indices corrected by 0.4% and 1.4% respectively, in local currency terms. Utilities, Oil & Gas and FMCG were the top gainers, with IT and Auto being the main losers. Despite the global banking turmoil, the banking sector ended in positive territory. Economic numbers for March remained robust. Net tax collections for FY23 (April 22–March 23) grew 17.6% on a year-on-year basis, ahead of the government's upward revised estimates. The manufacturing sector has also been in expansion mode since July 21. The auto industry ended FY23 with the highest ever passenger vehicle sales at 3.9m units. CPI inflation corrected modestly from 6.5% in January to 6.4% in February, though still trending above the Reserve Bank of India's comfort level of 2-6%. Foreign institutional investors turned buyers after 3 months with net inflows of US\$ 1.8bn. Domestic institutions continued to be buyers with net inflows of US\$ 3.7bn. At a portfolio level, the performance was mixed with a majority of the stocks posting negative returns and 12 stocks ending on a positive note. Of these, JK Lakshmi (+16%), Finolex Cables (+15%), and Neuland Laboratories (+12%) led the pack while Emami (-10%), City Union Bank (-9%) and Sagar Cements (-8%) led the fall.

## HOLDING IN FOCUS: Neuland Laboratories

Neuland Laboratories (Neuland) is a pharmaceutical manufacturer providing active pharmaceutical ingredients (API) and custom manufacturing solutions (CMS) to global pharma companies. Neuland's business has transformed from being a high-volume, low-margin generic API to a more complex and high-margin product offering through its niche API and CMS verticals which now constitute more than 60% of the revenue. CMS has been the key growth driver compounding at a growth rate of 44% over the last 3 years led by an increase in live CMS projects from 54 to 89. More importantly, there has been a transition from development to commercial projects improving revenue visibility. Management expects the CMS business to scale greater heights over the medium term, led by steadily adding projects to the pipeline. On the API front, Neuland continues to file new US Drug Master Files (DMF) for products still under patent. Once these are commercialised and the patent has expired, these molecules will contribute significantly to the growth of the vertical. Operating margins have seen a steady increase from 9.6% in FY19 to 19.4% in the current financial year (for 9 months until December 22) on the back of improving revenue mix and benefits of operating leverage kicking in. We expect revenues to grow at 15% CAGR and EBITDA at 34% CAGR over the next 3 years.

## REBASED NAV PERFORMANCE SINCE 31 DECEMBER 2011 (%)



## PERFORMANCE (%)

	1m	3m	6m	1yr	3yr	5yr
ICGF NAV	(2.1)	(7.6)	(9.2)	4.9	125.0	20.4
BSE MidCap TR Index	(2.5)	(6.6)	(13.3)	(1.2)	115.0	44.5

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.

## TOPICAL COMMENT

HOODnote: April 2023	BOOK REVIEW: March 2023	IN THE MEDIA: 30 March 2023	RESEARCH NOTE 15 March 2023	IN CASE YOU MISSED IT 9 March 2023	UPDATE 6 March 2023
Indian Banks - 3Rs- Resilient, Resolute and Regulated	Why Nations Succeed and Fail by Ray Dalio	Portfolio Adviser - India Capital Growth benefits from financials overweight	Marten & Co - Don't Stop Believin'	Citywire Big Broadcast - India's growth story has only just begun	Investment Manager Update

## NET ASSET VALUE

The Net Asset Value (NAV) per share as at 31 March 2023 was 129.45 pence. In March the NAV was down 2.13% in Sterling terms, whilst the BSE MidCap TR Index was down 2.54%. In local currency terms, the NAV was up 0.10% for the month.

## FUND INFORMATION

Listing	LSE Main Market
Domicile	Guernsey
NAV publication	Monthly (daily estimate)
Size (NAV)	GBP124.9m
Launch date	22 December 2005
Adviser start	31 December 2011
Portfolio Manager	Ocean Dial Asset Management
Principal Adviser	Gaurav Narain
Benchmark	S&P BSE MidCap TR
AMC	1.25% of market cap
Share price	121.0p/
NAV per share	129.5p
Discount to NAV	6.5%

## PORTFOLIO CHARACTERISTICS

Number of holdings	33
Median market cap	\$1.9bn
PE FY24E	15.9
ROE FY24E	17.2%
Tracking Error	5.3%
Active Share	88.1%

## INDIA HIGHLIGHT

	MTD	YTD
INR vs US\$ [stronger/ (weaker)]	0.6%	0.7%
FII Net flows (US\$m)	1,816.0	(2,482.5)
DII Net flows (US\$m)	3,709.6	10,131.6
CPI inflation (February/3m avg)	6.4%	6.2%
GDP Q3 FY23		4.4%
Current account/GDP Q3 FY23		(2.4)%

Source: Ocean Dial Asset Management Limited

## QUARTERLY ATTRIBUTION - 3 MONTHS TO 31 MARCH 2023 (%)

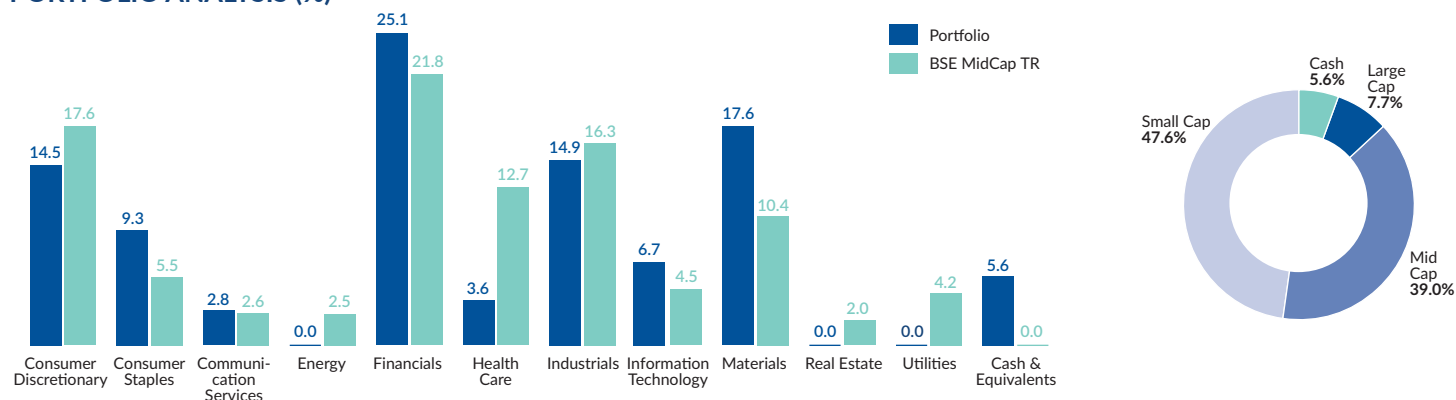
TOP 5	Ave. weight	Ave. index weight	Return	Contribution	BOTTOM 5	Ave. weight	Ave. index weight	Return	Contribution
Finolex Cables	2.59	0.00	45.45	1.04	Emami	3.63	0.50	(16.58)	(0.63)
Persistent Systems	3.92	1.40	17.30	0.62	Indusind Bank	5.06	0.00	(14.30)	(0.77)
Ramkrishna Forgings	4.22	0.00	6.74	0.27	Skipper	2.88	0.00	(25.48)	(0.83)
Neuland Laboratories	3.15	0.00	5.96	0.21	Dixon Technologies	2.53	0.00	(28.25)	(0.84)
CCL Products India	2.98	0.00	5.53	0.15	City Union Bank	3.63	0.00	(31.70)	(1.33)

Source: Ocean Dial Asset Management Limited, Statpro

## TOP TEN HOLDINGS

Portfolio company	Weight	Characteristics	Market cap US\$bn
Federal Bank	7.3%	Well run mid-sized private sector bank, attractive valuations	3.4
IDFC Bank	5.9%	Well capitalised private sector retail bank. Digitally-focused and on a high growth trajectory	4.2
Indusind Bank	4.9%	Fifth largest private sector bank in India and poised to gain market share. Value play with ebbing asset quality concerns	10.1
Ramkrishna Forgings	4.1%	Auto ancillary company manufacturing forgings for commercial vehicles in both domestic and international markets	0.6
Persistent Systems	3.8%	IT services company benefitting from 'digital transformation' of businesses globally	4.3
Neuland Laboratories	3.6%	API and Custom Manufacturing solutions (CMS) provider to multinational pharmaceutical companies. Beneficiary of China-dominated supply chain disruptions	0.3
JK Lakshmi Cement	3.4%	Deep value, capacity expansion complete and deleveraging underway	1.1
PI Industries	3.3%	Quality agro-chemical company, high visibility, strong industry tailwinds in global supply chains	5.6
Emami	3.3%	Dominant player across multiple niche consumer product categories, attractive valuations	1.9
CCL Products India	3.2%	Global production, trading and distribution of high quality coffee products	0.9

## PORTFOLIO ANALYSIS (%)



## 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.

## FUND MANAGER

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

+44 (0) 20 7068 9870  
enquiries@oceandial.com

## WEBSITE

www.indiacapitalgrowth.com

**SOURCES**

Source of all performance and portfolio analysis: Ocean Dial Asset Management Limited, Bloomberg.

**CAPITAL STRUCTURE**

96,515,653 ordinary shares in issue with voting rights.

**BOARD**

Elisabeth Scott (Chairman), Patrick Firth, Lynne Duquemin, Nick Timberlake

**OTHER ADVISERS**

Administrator: Apex Fund and Corporate Services (Guernsey) Limited

Broker: Shore Capital Stockbrokers Limited

Registrar and CREST Agent: Neville Registrars Limited

**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.

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