

# India Capital Growth Fund

India Capital  
GROWTH FUND

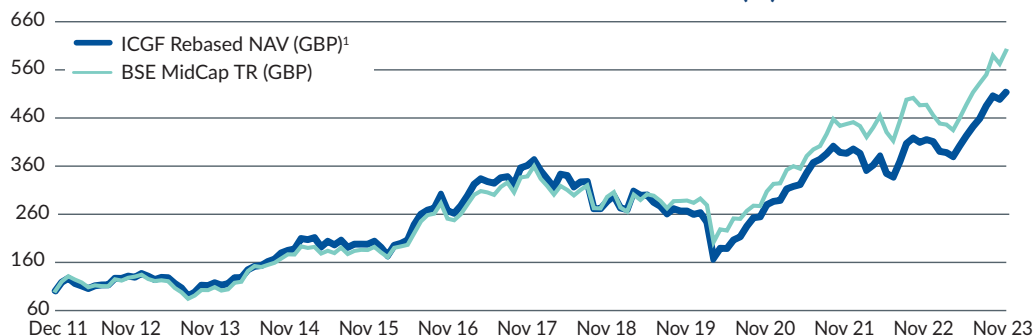
## PORTFOLIO AND MARKET UPDATE

Indian equity markets bounced back strongly with large-cap Sensex up 5% and Mid and Small-Cap Indices up 9.8% and 9.4% respectively in local currency, this was on the back of a global rally led by slowing inflation and rate cut optimism. Sector-wise, all sectoral indices ended on a higher note. Equity flows were positive, FII flows were up US\$2.3bn taking the net YTD flows to US\$14.4bn and positive domestic flows of US\$1.7bn, led to net YTD flows at US\$20.8bn. In October inflation moderated to 4.9% from 5.0% in September. Real GDP growth at 7.6% for the 2Q Sep surprised on the upside. Consumption growth remained weak at only 3.1% due to weak rural demand. Politics remain centre stage, BJP, the ruling party led by Modi, has been successful in local elections across three states which has further strengthened the market's bullish sentiment and BJP's probability to win the general elections next year. At portfolio level most of the stocks posted positive returns, led by Neuland Labs (+42%), Multi Commodity Exchange (+40%), and Ramkrishna Forgings (+27%). Negative returns came from Bajaj Electricals (-4%), Uniparts India (-4%) and Cholamandalam Investment and Finance (-3%).

## HOLDING IN FOCUS: Vedant Fashion

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 2015, 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 due to supply chain issues and varying consumer preferences across cities. The organized market for traditional Indian garments is growing at ~15% p.a. due to over 10m weddings annually, consumers becoming more brand conscious and willing to spend on occasions. Vedant is the only national player, selling 3m+ garments annually with its brand 'Manyavar' being over 20x the size of its nearest competitor. The company's unique business model is asset-light and uses technology for supply chain efficiencies and data analysis for forecasting. Vedant is expanding its franchisee led exclusive brand outlets across 248 cities with an area of 1.6mn sq. ft growing at 15% annually. Industry beating EBITDA margin of 50%, a strong debt-free balance sheet, and a pre-tax ROCE of 44% places Vedant as a key proxy to the rapidly rising trend of preference towards Indian wear during festivals and celebrations. We forecast a 17% CAGR in revenues and a 20% CAGR in profits over the next 3 years.

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



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.

## PERFORMANCE (%)

|                     | 1 mnth | 3mnth | 6mnth | 1 year | 3 years | 5 years |
|---------------------|--------|-------|-------|--------|---------|---------|
| ICGF NAV            | 3.1    | 6.0   | 21.6  | 23.9   | 83.8    | 79.3    |
| BSE MidCap TR Index | 5.0    | 9.2   | 23.2  | 23.3   | 95.5    | 102.9   |

## TOPICAL COMMENT

WRITING ROOM  
November 2023

Wealth Briefing: Playing India's Growth Story by Tom Burroughes

IN THE MEDIA: INTERACTIVE INVESTOR  
November 2023

Top 10 most-popular investment trusts by Kyle Calwell

IN THE MEDIA: INTERACTIVE INVESTOR  
November 2023

Why I picked Vietnam and ditched China by Ian Cowie

BOOK REVIEW  
November 2023

What I Learned about Investing from Darwin by Pulak Prasad

## NET ASSET VALUE

The Net Asset Value (NAV) per share as at 30 November 2023 was 175.26 pence. In November the NAV was up 3.10% in Sterling terms, whilst the BSE MidCap TR Index was up 4.95%. In local currency terms, the NAV was up 7.90% for the month.

## FUND INFORMATION

|                   |                             |
|-------------------|-----------------------------|
| Listing           | LSE Main Market             |
| Domicile          | Guernsey                    |
| NAV publication   | Monthly (daily estimate)    |
| Size (NAV)        | GBP168.8m                   |
| 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       | 166.5p/                     |
| NAV per share     | 175.3p                      |
| Discount to NAV   | 5.0%                        |

## PORTFOLIO CHARACTERISTICS

|                            |         |
|----------------------------|---------|
| Number of holdings         | 35      |
| Median market cap (US\$bn) | \$1.9bn |
| PE FY25E                   | 18.9    |
| ROE FY25E                  | 18.3%   |
| Tracking Error             | 5.2%    |
| Active Share               | 88.9%   |

## INDIA HIGHLIGHT

|                                  | MTD       | YTD      |
|----------------------------------|-----------|----------|
| INR vs US\$ [stronger/ (weaker)] | (0.2)%    | (0.8)%   |
| FII Net flows (US\$m)            | (2,300.9) | 14,402.9 |
| DII Net flows (US\$m)            | 1,700.4   | 20,777.0 |
| CPI inflation (Oct/3m avg)       | 4.9%      | 5.6%     |
| GDP Q2 FY24                      |           | 7.6%     |
| Current account/GDP Q1 FY24      |           | (1.7)%   |

Source: Ocean Dial Asset Management Limited

## QUARTERLY ATTRIBUTION – 3 MONTHS TO 30 NOVEMBER 2023 (%)

| TOP 5                    | Ave. weight | Ave. index weight | Return | Contribution |
|--------------------------|-------------|-------------------|--------|--------------|
| Bajaj Electricals        | 1.88        | 0.00              | 70.20  | 1.66         |
| Neuland Laboratories     | 3.80        | 0.00              | 39.89  | 1.34         |
| Multi Commodity Exchange | 1.98        | 0.00              | 89.90  | 1.33         |
| Jyothy Laboratories      | 3.19        | 0.00              | 23.80  | 0.71         |
| Welspun India            | 3.08        | 0.00              | 24.79  | 0.70         |

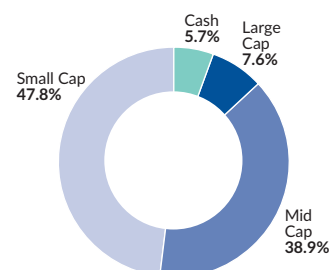
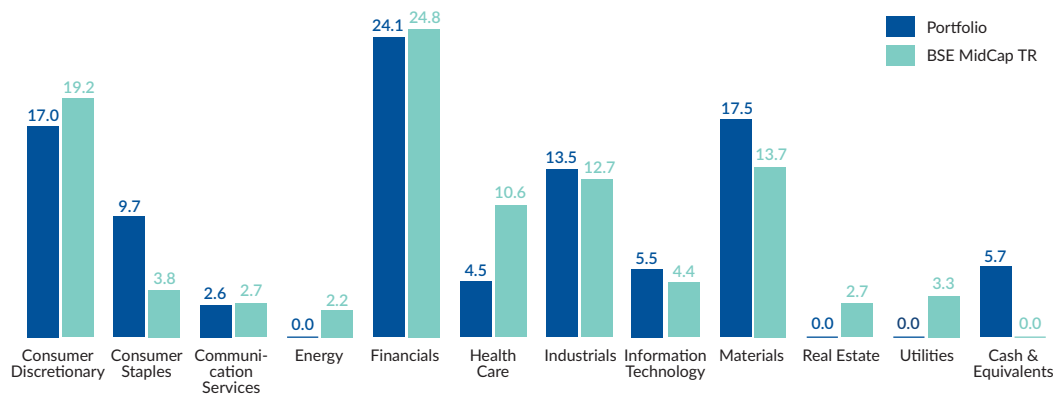
| BOTTOM 5                    | Ave. weight | Ave. index weight | Return  | Contribution |
|-----------------------------|-------------|-------------------|---------|--------------|
| Sona BLW Precision Forgings | 3.11        | 1.06              | (7.00)  | (0.22)       |
| VIP Industries              | 2.46        | 0.00              | (9.58)  | (0.24)       |
| Kajaria Ceramics            | 2.57        | 0.00              | (9.08)  | (0.26)       |
| Uniparts India              | 2.11        | 0.00              | (14.16) | (0.32)       |
| IDFC Bank                   | 5.29        | 1.41              | (9.40)  | (0.48)       |

Source: Ocean Dial Asset Management Limited, Statpro

## TOP TEN HOLDINGS

| Portfolio company    | Weight | Characteristics  | Market cap US\$bn |
|----------------------|--------|--|-------------------|
| Federal Bank         | 5.7%   | Well run mid-sized private sector bank, attractive valuations  | 4.3               |
| IDFC Bank            | 4.7%   | Well capitalised private sector retail bank. Digitally-focused and on a high growth trajectory   | 7.2               |
| Indusind Bank        | 4.7%   | Fifth largest private sector bank in India and poised to gain market share. Value play with ebbing asset quality concerns                                | 13.7              |
| Neuland Laboratories | 4.5%   | API and Custom Manufacturing solutions (CMS) provider to multinational pharmaceutical companies. Beneficiary of China-dominated supply chain disruptions | 0.8               |
| Ramkrishna Forgings  | 4.3%   | Auto ancillary company manufacturing forgings for commercial vehicles in both domestic and international markets   | 1.7               |
| Emami                | 4.2%   | Dominant player across multiple niche consumer product categories, attractive valuations   | 2.7               |
| Skipper              | 4.1%   | Power transmission and distribution company including polymer pipes and fittings segment   | 0.3               |
| PI Industries        | 3.9%   | Quality agro-chemical company, high visibility, strong industry tailwinds in global supply chains  | 6.9               |
| Persistent Systems   | 3.7%   | IT services company benefitting from 'digital transformation' of businesses globally   | 5.9               |
| Dixon Technologies   | 3.5%   | Dominant player in an emerging Indian Electronic Manufacturing Services industry with structural tailwinds   | 4.0               |

## 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.

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## WEBSITE

www.indiacapitalgrowth.com

**SOURCES**

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

**CAPITAL STRUCTURE**

96,465,653 ordinary shares in issue with voting rights.

**BOARD**

Elisabeth Scott (Chair), 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.

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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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