OCTOBER 2024

"Your success as an investor will be determined by how you respond to punctuated moments of terror, not the years spent on cruise control" – Morgan Housel

Dear Investors,

Financial year 2025 seems to be quite an eventful year with something or the other keeping investors on the edge of the seat every month not just in India but also the rest of the world. While April to June was dominated by local general elections in India, July was dominated by budget fears of increased capital gains tax. August onwards we had central bankers differing actions taking centre stage globally. While US Fed was in rate cut mode, we had the Japanese central bank increasing rates after decades and fueling fears of Yen carry-trade unwinding. However, in recent times the market volatility in Indian markets have been driven by three key factors which I believe could remain the near-term drivers for the markets. Let's look at each of these factors a little more in details to understand their implications on Indian markets.

Factor 1: China stimulus which could make China once more attractive for global investors

After decades of above par growth in China, the economy seems to be plagued with overcapacity and underutilisation

Chinese economy which has been seeing a steady decline in its economic activity since covid days, has been making all efforts to revive their growth but to no avail. Real estate crisis has been the biggest disasters there which has led to all around gloom among the locals. Government in a bid to revive the sentiments have done some aggressive policy announcements in September'24 as follows with an objective to give an immediate boost to the sentiments and domestic consumption there in China:

- Reducing the bank reserve requirements by 50 bps
- Reducing the 1-year medium term lending facility rate by 30 bps
- Reducing the 7-day reverse repurchase rate by 20 bps
- Issuing $1.4 trillion extra debt to refinance local govt bonds and also approve purchase of idle local land and property

The immediate market reaction to all these major policy announcements was positive, with the Shanghai composite index witnessing significant gains in the month of Oct'24. Whether these can be sustained over time will primarily depend on whether the targeted objectives, i.e., resumption in consumption and growth, will be achieved or not. In that regard, a study of similar policy measures in the past and the corresponding movement of the Shanghai composite index in the short-term (6-months), medium-term (1-year), and long-term (2-years and above) could be interesting.

Past Chinese stimulus measures and its impact on equity markets in China don't give the confidence that current one would have any meaningful impact either

Year	Macro environment	Measures announced	Short-term	Medium -term	Long-term
2019	Trade war & Economic slowdown	- Cut the top tier of the value-added tax (VAT) rate to 13% from 16% - Increased the personal income tax threshold and allowed more pre-tax deductions - Total tax cuts amounted to 2.3 trillion yuan (US$324 billion) in 2019	20.8%	23.3%	35.3%
2020	Covid 19 Pandemic stimulus	- Fiscal stimulus of around 4% of GDP, US$ 506 billion - China's State Council called on banks to sacrifice 1.5 trillion yuan (US$212 billion) in profits in 2020 to finance cheap loans to companies as a way to offset the economic fallout - China's central bank had temporarily purchased 40% of unsecured loans made to small and medium-sized firms from select local banks, using 400 billion yuan (US$56 billion).	20.0%	23.9%	18.6%
2022	Economic Stabilisation Policies	- More targeted infrastructure investments - Central bank interest rate cuts and additional RRR cuts - Tax rebates for businesses and extended fiscal support for struggling sectors.	-6.4%	-14.9%	-8.1%
2023	Targeted Stimulus	- Increased fiscal spending on infrastructure projects - Incentives to boost consumer spending, particularly in auto and household appliances - Cuts to key policy rates to spur lending - Relaxation of real estate purchasing & borrowing limits.	-9.5%	-6.9%	-

Not surprisingly, considering that such measures take some time to percolate into the economy and engender the desired benefits, their impact on the market is usually more short-term in nature as can be seen from above. Over the longer term, structural factors hold more sway, and we would have to see how the recent policy measures impact the economy in the medium to long term. We believe the FII outflows are more hedge fund money looking for short term trading opportunities and not long-term investors.

Factor 2: Earnings weakness in Q2FY25 and expectations in H2FY25

Q2FY25 is turning out to be the worst earnings quarter since the Covid bottom

With nearly 80-90% of the listed companies having reported their earnings so far, there has been more disappointments than positive surprises. Earnings of the Nifty-50 companies that have declared results so far have been flat YoY (vs. est. of +2% YoY). Q2FY25 was anyways expected to be a weak quarter due to base effect, election effect and also overall weakness in domestic consumption and infrastructure activity. However, it seems to be turning out to be the worst quarter in last four years since the covid bottom regarding growth in topline and bottom-line. In fact nearly 60% of the companies which have reported results so far have seen earnings downgrades. The aggregate performance was hit by a sharp drag from global commodities. Excluding Metals and Oil & Gas, Nifty clocked 11% earnings growth vs. expectations of 10% growth. The modest earnings growth was driven once again by BFSI, with positive contributions from Technology, Real Estate, Utilities, Telecom and Healthcare. Conversely, earnings growth was weighed down by global cyclicals, such as Oil & Gas (OMC's profit plunged 92% YoY), which saw a dip of 58% YoY, along with Metals (-28% YoY), Cement (-41% YoY), Chemicals (-23% YoY), and Consumer (+3%).

Elections during Q1FY25 impacted the infrastructure and capex activity for 3-5 months which is resulting in all round weakness

One major trend seen in all management commentary in this quarter was that the second half of the financial year (H2FY25) would be much better than the first half as the first half had elections and historically elections lead to infra and project delays across the economy. Among the consumer facing companies from Autos to Consumer staples and discretionary companies, Q3 is of major importance due to concentration of the festive and wedding season and hence lot of improvement in the numbers could be seen in the next two quarters. In the capital goods sector most companies have indicated that 2HFY25 will see an uptick in revenues and order inflows following the state elections and they have maintained their full year growth targets. Cement companies expect profitability to improve in 2HFY25, led by positive operating leverage, favorable fuel prices, and cost-saving initiatives. Even in Pharma and healthcare space we expect earnings growth momentum to sustain in the coming quarters, led by ongoing niche launches and improved operating leverage.

Factor 3: Impact of US Presidential election outcome

In the rup up to the US elections, markets were anxious regarding the outcome though the opinion polls consistently showed the return of Mr Donald Trump to the Whitehouse. As Donald Trump prepares to begin his second innings at the White House, stock markets worldwide are already feeling the ripple effect. Investors are closely watching the potential implications of his return, with some sectors rallying in anticipation of his pro-business policies, while others brace for uncertainty amid his controversial economic strategies. Based on protectionism, tariffs, corporate tax cuts, increased infrastructure spending, deregulation, immigration control and strengthening local manufacturing, Trumponomics aims at fostering economic growth, raising incomes and creating more American jobs. But critics say these could stoke inflation, add to fiscal deficit and favour the rich citizens.

Let’s look at what could be some of the positive and negative impact for India under the second term of Mr Donald Trump.

BRIGHTER SIDE:

- **Commodity prices under check –** Trump’s push for fossil fuels and tariffs on China could slow down Chinese growth further and keep commodity prices lower. India being a net commodity importing country, mainly crude oil, could benefit from the same as the import bill would be lower. Also as the nation continues capex building, lower metal prices could also keep project costs under check.

There seems to be more structural positives under the new regime of Mr Trump and we would want to wait and watch how things play out

- **Boost to Indian manufacturing and exports –** Trump has repeatedly highlighted about higher import tariffs on Chinese goods and relatively lower tariffs on other countries including India. This could make Indian manufacturing more competitive relative to Chinese goods in the US Markets. Sectors like auto ancillaries, solar panels, chemicals, pharma API, etc could benefit. With improving US and India trade relations, this can potentially drive strong exports of electronics goods from India, which are quite low today. Potentially any exports of mobiles, RACs, PCBAs could be positive for Indian companies.
- **Geopolitical tensions could ease –** If global conflicts are resolved under his administration, it could ease supply chain challenges, benefiting Indian companies. Trump's focus on US manufacturing and military strength may also indirectly support Indian players and their JVs with US defense companies.
- **Boost for Indian IT companies and GCC work –** Indian IT sector growth primarily depends on i) how much AI LLM application work will come to us; ii) increase in IT Budgets of US Inc. as Presidential uncertainty is removed and iii) Fed rate cut impact on growth. The relatively less important direct effects of potential US policy changes are: Reduced Corporate Tax + Make-in-America (to help loosen US IT budgets). US Tax cuts would help Indian IT subsidiaries, US Banking recovery to help and any tightening of Visa restrictions may not affect our IT companies as they are more localized now than 5 years back.

DARKER SIDE:

Tariffs has been the biggest concern under Mr Trump and that remains a overhang now for globalization

- **Tariffs galore to come** – Looking at the past term of Mr Trump and his election speeches in this year, its very clear that trade and tariffs would be the key narrative to look out for. In the past the US has chosen the countries it tariffs based on whom it has the largest trade deficit with. In the EM space, after China, Mexico and Vietnam, India comes next in the order of its goods trade deficit size. If one were to add services to it, the deficit would only get larger. However, with the incoming President Trump's narrative reportedly focusing more on China-tariffs, how India gets impacted we will have to wait and watch. Its tariff increases are apparently based on 3 considerations, i.e trade balances, currency manipulation & China threat to security. India comes mostly in the 2nd category; hence it is possible that some negotiations will occur about mutual tariffs on specified items rather than a blanket increase and a tariff war as it could be for China.

- **Rupee depreciation** – Any tariff increases by US (India being categorized as "currency manipulator") could lead to global competitive currency devaluation. This is a worry for our macro as well as our US exports. Also, with growth picking up in US economy and more focus on domestic manufacturing in US, we could see continued FII outflow from India and other EMs and that would flow back to the US market. This could add further pressure on the Rupee.

Current Portfolio construct & Performance

Consistent outperformance over benchmark remains key focus area for the portfolio in all market conditions

In midst of all the market volatilities and market noise, we continue to focus on our core strength of finding pockets of earnings strength which is supported by the right valuations. We continue to remain fully invested in the market lest during the portfolio construction period. We believe the current downturn in the market is more temporary and not a structural downfall which warrants any major risk aversion.

The current weakness in the market overall has a lot to do with a mix of weak Q2FY25 numbers coupled with FII outflows which is actually heading back to US post Mr Trump's victory rather than going to China which was perceived to be the case by many earlier. Global Fund managers seem to be betting on Mr. Trump giving a substantial boost to Corporate America's profitability through tax cuts and push for domestic manufacturing. I believe some time correction in our markets can bring our markets back to attractive levels and India would continue to nevertheless trade at premium to rest of the world in the medium to long term.

Index valuations are becoming more comfortable with every small correction in the market and offering good entry levels for long term investors

After the recent correction of nearly 10% in Nifty-50, it currently trades at 19.3x P/E for CY2025 earnings and 17.4x P/E for CY2026 earnings. I don't see these valuations being expensive from a standalone perspective as its very close to historical average valuations. However, when seen on a relative basis to China it looks expensive because China has massively under-performed India in the last 5 years due to its own structural problems. If I look at NSE-500 which is more broad based, it currently trades at 20.7x P/E on CY2025 earnings and 18.7x P/E for CY2026 earnings. Again, a sharp drop from the recent 24x and 21x respectively it was trading just a few months back. With most commentary highlighting a stronger H2FY25, our view is that we would see some recovery in earnings from Q3FY25 and meaningful recovery from Q4FY25. From now till the end of the FY25 we see good opportunity for investors to pick quality companies at reasonable valuations during the volatile period.

Happy Investing!!

Team Quest

QUEST SMART ALPHA SECTOR ROTATION SERIES II AIF

Quest Investment Advisors
SEBI Regd PMS & AIF Managers

Fund Strategy, Objective and Theme

- The AIF strategy would be market-cap and sector agnostic and seek to generate consistent alpha in the long run through a blend of top down and bottoms up portfolio construction approach.
- The objective would be to generate long term capital appreciation and superior Risk Adjusted Returns for clients by creating alpha through selection of a basket of high-quality listed companies.
- The fund would be investing into 3-5 themes at any point of time. Generally, it would be a concentrated portfolio of 20-30 stocks.
- The portfolio is suited for clients who have a minimum of 4 - 5 years investment horizon

Key Terms

Inception Date	13th Sep' 2024
Benchmark	NSE 500
Minimum Investment	INR 1 Cr
Type	Open-ended

Fund Manager

Mr. ANIRUDDHA SARKAR

Aniruddha is the CIO and Fund Manager at Quest Investment Advisors since Feb-2020. He brings with him over 17 years of experience in the capital markets with diverse role managing money for investors across PMS, AIF and Advisory business. He has an eye for sector themes and has been instrumental in catching many themes early on in their lifecycle over the years. Prior to joining Quest, he was with IIFL group companies for over 11 years. At IIFL AMC in his last role, he was the Portfolio Manager for IIFL Multicap PMS since its inception in 2014 where he had generated industry leading performance over the 5 years till Dec 2019 and the same was also recognized in Industry awards in 2019. He holds a Bachelor's degree in Commerce and an MBA in Finance.

PERFORMANCE SUMMARY POST TAXES

(As on 30th September 2024)

Particulars	Since Inception (13/9/2024)
Quest Smart Alpha – Sector Rotation Series II AIF (A1 Class shares)	0.91
Quest Smart Alpha – Sector Rotation Series II AIF (A2 Class shares)	-0.11
Quest Smart Alpha – Sector Rotation Series II AIF (B1 Class shares)	1.00
NIFTY - 500	1.41

Note: The above returns are unaudited and computed on TWRR basis post all fees & expenses and post taxes paid on all realized gains. Returns less than 1 year are on absolute basis. Client returns could vary depending on their dates of investment and subsequent drawdowns

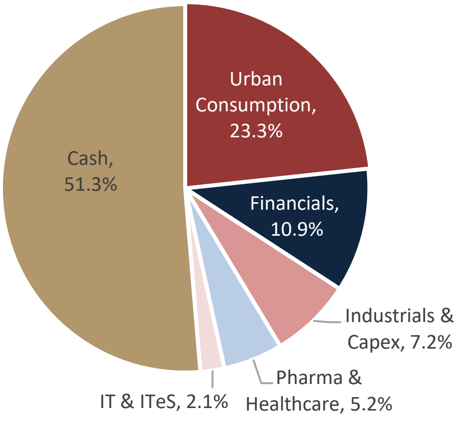
PERFORMANCE SUMMARY POST TAXES

(As on 31st October 2024)

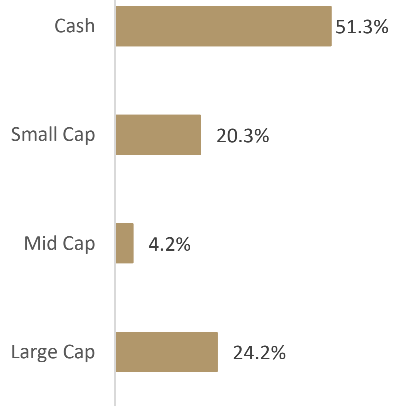
Particulars	Since Inception (13/9/2024)
Quest Smart Alpha – Sector Rotation Series II AIF (A1 Class shares)	-3.50
Quest Smart Alpha – Sector Rotation Series II AIF (A2 Class shares)	-4.73
Quest Smart Alpha – Sector Rotation Series II AIF (B1 Class shares)	-3.18
NIFTY - 500	-5.09

Note: The above returns are unaudited and computed on TWRR basis post all fees & expenses and post taxes paid on all realized gains. Returns less than 1 year are on absolute basis. Client returns could vary depending on their dates of investment and subsequent drawdowns

KEY THEME WEIGHTS As on 30th Sep' 2024



MARKET CAPITALIZATION As on 30th Sep' 2024



THEMATIC SUMMARY OF INVESTEE COMPANIES – As on 30th September 2024

Company Name	Theme	Weightage (%)
Trent Ltd	Urban Consumption	4.64%
TVS Holdings Ltd	Urban Consumption	3.51%
ICICI Bank Ltd	Financials	3.43%
NTPC Ltd	Industrials & Capex	3.26%
PCBL Ltd	Urban Consumption	3.19%
Axis Bank Ltd	Financials	3.02%
Sequent Scientific Ltd	Pharma & Healthcare	2.96%
United Spirits Ltd	Urban Consumption	2.73%
Zomato Ltd	Urban Consumption	2.68%
S H Kelkar And Co. Ltd	Urban Consumption	2.56%
Bajaj Housing Finance Ltd	Financials	2.36%
Sansera Engineering Ltd	Urban Consumption	2.25%
Piramal Pharma Ltd	Pharma & Healthcare	2.25%
Oracle Financial Services Software Ltd	IT & IteS	2.11%
Bharti Airtel Ltd	Industrials & Capex	2.10%
Nippon Life India Asset Management Ltd	Financials	2.08%
Chemplast Sanmar Ltd	Industrials & Capex	1.83%
Samhi Hotels Ltd	Urban Consumption	1.72%
Cash & Cash Equivalent	Cash	51.32%

- The estimates in the table above are on consolidated basis except for banks & financials.
- The fund was incepted only on 13th Sep 2024 and is under the initial phase of portfolio construction and hence cash level looks elevated

SUMMARY FINANCIALS OF INVESTEE COMPANIES – As on 30th September 2024

Company Name	Revenue Growth (FY 24-26E CAGR)	PAT Growth (FY 24-26E CAGR)	PE FY26
Trent Ltd	34.8%	51.8%	123.9
TVS Holdings Ltd	12.0%	35.0%	8.9
ICICI Bank Ltd	9.9%	10.0%	18.1
NTPC Ltd	8.8%	8.1%	17.2
PCBL Ltd	24.8%	18.6%	29.1
Axis Bank Ltd	13.8%	11.9%	12.3
Sequent Scientific Ltd	12.0%	NA	64.3
United Spirits Ltd	9.6%	13.1%	64.2
Zomato Ltd	30.8%	166.1%	97.1
S H Kelkar And Co. Ltd	14.4%	34.3%	18.7
Bajaj Housing Finance Ltd	31.2%	26.1%	46.7
Sansera Engineering Ltd	17.1%	27.8%	30.4
Piramal Pharma Ltd	12.6%	NA	40.3
Oracle Financial Services Software Ltd	12.6%	13.4%	34.9
Bharti Airtel Ltd	13.3%	99.0%	34.6
Nippon Life India Asset Management Ltd	20.2%	12.7%	29.3
Chemplast Sanmar Ltd	14.4%	NA	15.4
Samhi Hotels Ltd	14.7%	NA	20.6

The estimates in the table above are on consolidated basis except for banks & financials.

INVESTMENT RATIONALE AND SWOT

Quest Investment Advisors
SEBI Regd PMS & AIF Managers

Axis Bank Ltd

AXIS BANK

About the company

- Axis Bank commenced operations in 1994 as UTI Bank, which was renamed in July 2007, and is now the third-largest private sector bank in India.
- The bank was jointly promoted by the administrator of SUUTI, LIC, GIC, and four public sector general insurance undertakings.
- As on Sept 30, 2024, the bank had 5,577 network domestic branches including extension counters across the country.
- On March 30, 2022, Axis Bank and Citibank announced that their respective Boards of Directors have approved the acquisition of Citibank's consumer businesses (credit cards, retail banking, wealth management, asset backed financing and consumer loans) in India by Axis Bank.

Investment Thesis

- **Strong Deposit Franchise:** Axis has a strong CASA ratio of ~41% (Sept 2024) on back of its vast branch network and focus on continuously adding new liability relationships. The Bank added 2.42mn new liability relationships in Q2FY25. Also, the deposit growth for the bank has been around 14% over the last few years and above the industry average.
- **Citi Acquisition is accretive and synergistic:** Axis Bank announced the acquisition of Citibank's India Consumer Business for a cash consideration of INR 123.2 bn. With the acquisition, Axis gets (1) Loans of INR 274 bn in retail segments like credit cards, mortgages, small business, personal loans and asset backed finance (2) Deposits of INR 502 bn, of which ~81% is CASA (3) Wealth management AUM of INR 1.1trn, (4) overall 3mn customers including 2.5mn cards customers. Revenue upside would flow from cross-sell and up-sell of differentiate2d products to a larger combined customer base and attracting new-to-bank customers with a wider product bouquet. Management indicated cost synergies of 30-40% of Citibank's expenses – to be realized over 2 years post deal closing. This would primarily be attributable to the savings from global shared services, global oversight, infra, technology cost, etc.
- **Medium-term RoE of 16-18%:** The levers to maintain a medium-term RoE of 16–18% are in place. NIM stabilization is around 4% and a decline in opex will be the key drivers. As for credit cost, absence of lumpy provisioning seen in the previous cycle will lead to a lower-than-normal credit cost leading to higher profitability and subsequent increase in ret**Domestic Subsidiaries well positioned:** urn ratios.
- The domestic subsidiaries have been performing well for the bank and incrementally strengthening capital adequacy of the bank. H1FY25 PAT of domestic subsidiaries grew by 35% on YoY. PAT of key domestic subsidiaries such as Axis AMC, Axis Finance, Axis Capital and Axis Securities grew by 29%, 24%, 29% and 139% respectively.

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
Maintains a healthy capital adequacy ratio (CAR) of 16.61%.	Bank's NPA ratio has improved to 1.44% but it still poses a risk to profitability and financial stability.	Bank is expanding its presence in Tier 2 markets through new branches and enhanced service offerings, tapping into the growing demand for banking services in these regions.	Interest rate changes
Offers a wide range of financial products and services, including retail banking, corporate banking and wealth management.		Innovative Financial Products cater to niche markets and high net-worth individuals.	Changes in regulations imposed by RBI can impact operational flexibility and profitability margins
Strong management team.			Lower growth in system deposits can lead to higher competition for deposits and hence higher cost of funds.

Bajaj Housing Finance Ltd

About the company

- Bajaj Finance Ltd (BAF) launched its mortgage business in 2009 with LAP products, and it hived off into Bajaj Housing Finance (BHFL) into a separate entity in FY18.
- In its eighth year of independent existence, the company has crossed AUM of INR 1 lakh crore with home loan accounting for 57%, majority skewed towards salaried customers.
- The company operates from 215 units to 174 locations, of which the majority are in rural regions. Its rural branches are collocated with BAF branches.

Investment Thesis

- **Strong Market Position**: BHFL is one of the top mortgage originators in India, growing at 32% CAGR over the last 5 years. Its strategic focus on a desirable ticket size of INR 4.5-5 million addresses approximately 65% of home loan originations in the country, positioning it well to capture significant market share as the housing finance sector expands.
- **Operational Efficiency:** The company has transitioned to in-house loan origination, which has reduced customer acquisition costs and improved credit quality. This operational strategy, combined with leveraging its existing customer base from Bajaj Finance, enhances cross-selling opportunities, driving profitability and efficiency.
- **Strong Parentage and Capital Infusion:** With backing from the reputable Bajaj Group, BHFL benefits from a strong capital base, having received substantial capital infusions totalling INR 95 billion. This financial strength not only supports growth initiatives but also allows BHFL to maintain competitive borrowing costs, further enhancing its profitability prospects.
- **Robust Financial Performance**: BHFL is expected to continue growing its mortgage book from FY24 to FY27 at a CAGR of 26-28%. The company aims for a return on equity (ROE) of 14-15% and maintains a low gross non-performing asset (GNPA) ratio of 0.6-0.8%, indicating strong asset quality and effective risk management.

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
BHFL benefits from being a subsidiary of BAF which provides access to lower-cost funds	Highly competition from banks restricting spreads around 2-3%	Focusing self-employed individuals and affordable housing segments can broaden the customer base.	Changes in regulations governing housing finance
Focus on desirable ticket sizes (INR 4.5-5 million) that cater to approximately 65% of home loan originations, positioning it favorably in a growing market.	Dependable on housing cycle	Leveraging scalable technology infrastructure	Margins can be volatile within an interest rate cycle

Bharti Airtel Ltd

About the company

- Headquartered in India, Bharti Airtel is a global communications solutions provider with over 561 Mn customers in 17 countries across South Asia and Africa.
- The company ranks amongst the top three mobile operators globally and its networks cover over two billion people. Airtel is India's largest integrated communications solutions provider and the second largest mobile operator in Africa.
- Airtel's retail portfolio includes high speed 4G/5G mobile broadband, Airtel Xstream Fiber that promises speeds up to 1 Gbps with convergence across linear and on-demand entertainment, streaming services spanning music and video, digital payments and financial services. For enterprise customers, Airtel offers a gamut of solutions that includes secure connectivity, cloud and data centre services, cyber security, IoT, Ad Tech and cloud-based communication.
- Bharti has presence across multiple telecom segments, with India Mobile being the largest at ~54% of the consolidated revenue and ~58% of EBITDA (FY24). Beyond India Mobile, segments are across B2C as well as B2B.
    - Home services (B2C) – includes fixed-line and broadband.
    - Digital TV services (B2C) – direct-to-home service.
    - Airtel business (B2B) – includes enterprise services and solutions, both within India and overseas.
    - South Asia (B2C) – mobile operations in Bangladesh and Sri Lanka.
    - Africa (B2C) – mobile operations across 14 countries in Africa
- Important associates and subsidiaries: -
    - Airtel Payment Bank (APB) – 72.61% Subsidiary. It has a strong nationwide presence 3.7 lakh banking touchpoints through Airtel's network and an equally Strong merchants' base, which gives it an edge. The PB sees a large opportunity to tap the universe of 200 million people in urban and semi-urban India Who are yet to use digital financial services. APB sees safety and digital banking as its differential.
    - Indus Tower - 47.95% subsidiary is India's leading provider passive telecom infrastructure, and it deploys, owns and manages telecom towers & communication structures for various mobile operators.
    - Bharti Hexacomm- 70% subsidiary of Bharti (balance 30% owned by GoI) is into telecommunication business in Rajasthan and Northeast Circle. Possibility of value unlocking in view of government keen on disinvestment its stake

Investment Thesis

- **Organic ARPU uplift from subscriber premiumization** - The ongoing trend of subscriber premiumization with upgrades from feature phone to 4G smartphone, prepaid to postpaid, and consumption of additional services in postpaid, will help Bharti grow its blended ARPU. Increased adoption of international roaming plans has also contributed to ARPU uplift. It is expected that these organic shifts should lead to a 7-10% ARPU uplift in the next 12-18 months, even in the absence of a tariff hike.
- **Upside from 5G in mobile and broadband segments –**
    - Launched in H2 FY 23, 5G Plus services rollout is progressing well with 90 million users (as on June. 2024). Going ahead, focus would also be on private 5G networks for enterprises.
    - Though currently, the total contribution of 5G users to overall smartphones is lower @ ~15-16%, the same is expected to reach 25% of smartphones by FY 25. Monetization levers remain intact, aided by a shift from feature phones to smartphones and from prepaid to postpaid, and data monetization.

Bharti Airtel Ltd

airtel

- 5G has accelerated revenue growth for telcos globally, with a surge in data usage and differential pricing in some cases. Telcos are more likely to use 5G's higher capacity to offer higher/unlimited data at premium prices to lift ARPU. 5G has also mainstreamed wireless broadband – FWA (Fixed wireless access), which can lift Bharti's broadband revenue by 70-90%.
- **Stable competitive environment supports tariff hikes** - With the Top 2 players controlling 73% of the overall market (Jio at 40% and Bharti at 33%) and a severely weakened VIL, a stable competitive environment would prevail, supporting tariffs rise in the medium term.
- **Strong execution reflected in market share gains and spectrum portfolio** - Bharti's strong balance sheet, healthy spectrum portfolio, and 5G launch almost simultaneously with Jio, places it well to build on market share gains and benefit from the 5G upside.
- Moderating capex, improving leverage**: Capex intensity is expected to moderate in FY25. Furthermore, a shift from** NSA to SA network on 5G will not affect the capex trajectory, and the company has spectrum renewals in only six circles in upcoming auctions. The company aims to reduce its 2.6x net debt to Ebitda ratio in its Indian operations further with rising FCF.

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
Strong leadership position across the business segments	Exposure to regulatory and technological risks	Organic ARPU uplift from subscriber premiumization	Slower 5G ramp-up impacting mobile/broadband segments,
Provides full gamut of services like mobile services, home broadband, digital TV, enterprise business, digital services and mobile money catering to 561 million+ customers across 17 countries	Capex intensive business; though Bharti uses its FCF for deleveraging	Upside from 5G in mobile and broadband segments	Slowing macro impacting enterprise segment
Comprehensive portfolio of digital offerings - Airtel Payments Bank, Airtel IQ (CPaaS), Wynk (music streaming), Xstream, Airtel Finance and Airtel Ad		Stable competitive environment supports tariff hikes	Deterioration in the Africa business, which accounts for 26% of consolidated EBIDTA

Chemplast Sanmar Ltd

About the company

- Chemplast Sanmar is India's largest Paste PVC resin manufacturer and is also into custom manufacturing (CSM) of starting materials and intermediates for pharmaceutical, agrochemical & fine chemicals sectors. Besides, it is 3rd largest manufacturer of caustic soda, largest manufacturer of hydrogen peroxide in southern region & one of oldest manufacturers of chloromethanes in India. For all these products, there is large dependence on imports.
- CSL is backward integrated for manufacturing Paste PVC, which include manufacturing chlorine, EDC & VCM.
- CSL also manufactures Suspension PVC (S-PVC) through its wholly owned subsidiary Chemplast Cuddalore Vinyls Limited (CCVL). It is the 2nd largest manufacturer (behind RIL) of S-PVC resin in India (>20% market share with 330,000 MTPA capacity) and the largest producer in South India region. Key customers are PVC Pipe manufacturers like Ashirvad, Astral, Supreme Inds, etc. This business enjoys high asset turnover (7-8 times).
- In CSM, customers are global innovators & originators. CSL has technical capabilities to handle complex chemistries - cyanation, hydrogenation, mercaptans etc. It has 15 products at various stages of development and commercialization.
- CSL has 4 plants with large land bank for future expansion - 3 in Tamil Nadu (Mettur, Berigai and Cuddalore) and one in Puducherry (Karaikal). The company has 2 dedicated marine terminals, capable of handling refrigerated cargo.
- The company also has 48.5 MW coal-based captive power plant at its Mettur facility and 2 natural gas-based captive power plants of 8.5MW and 3.5MW, respectively at Karaikal unit.

Investment Thesis

- **Dominant market presence in niche Paste PVC segment** – PVC Paste is mainly used in artificial leather which in turn goes into footwear, furniture and auto upholstery, etc. This is a niche business with high entry barrier because of restricted technology access. CSL has production capacity to meet >50% of India's requirement and other producer is Finolex Industries with less than 10% market share and rest of the demand is met through imports. Demand for Paste PVC resin is expected to grow at high single digits CAGR on base of 180,000 MTPA in FY24. While demand is growing, there is supply side tightness and favorable feedstock economics is providing strong tailwinds for this business in India. Out of 1,07,000 MTPA capacity, CSL has 66,000 MTPA fully backward integrated plant.
- **Custom Manufacturing – Industry tailwind -** The demand for custom manufacturing is projected to grow at CAGR of ~12% over FY20-25 (source: CRISIL Report) on back of India's low-cost manufacturing advantage and revised strategy of major economies to reduce their dependence on a single country (China). In this background, company plans to add 2 Multi-Purpose Plants (MPP) with total investment of Rs. 680 crores. In phase-I capacity is operational and the management is confident of ramping the sales to INR 1000 crore by FY27 from FY23 base of INR 330 crore.
- **Suspension PVC business can stabilize with ADD** - There strong demand of S-PVC in end-user industries such as irrigation, urban infrastructure and real estate. There are no viable substitutes for S-PVC due to its superior qualities & lower prices. India imports more than 60% of its 40 lakh MTPA requirement largely through low cost and quality Chinese supply. The ongoing anti-dumping duty (ADD) can help the company boost its margins and profitability of already fully utilized 3.3 lakh MTPA capacity.

INVESTMENT RATIONALE AND SWOT

Quest Investment Advisors
SEBI Regd PMS & AIF Managers

Chemplast Sanmar Ltd

SANMAR

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
Vertically integrated operations in Paste PVC & hence competitive cost structure	Capital-intensive business	Well-positioned to capture favorable industry dynamics mainly in Custom Manufacturing.	Economic Slowdown
Customer Stickiness in custom manufacturing business led by strong chemistry capabilities	Dependency on global suppliers for VCM to manufacture S-PVC.	Phasing out of calcium carbide-based capacities in China can create huge gap in demand and supply benefiting PVC manufacturers.	Continuous dumping by China in PVC
		Growing custom manufacturing business into newer chemistries and products	Foreign Exchange Fluctuations

INVESTMENT RATIONALE AND SWOT

Quest Investment Advisors
SEBI Regd PMS & AIF Managers

ICICI Bank Ltd

About the company

- ICICI Bank is a run Indian private banking and financial services conglomerate with a very strong franchise.
- The bank's focus is on retail lending with 54.4% of the advances are retail in nature for the bank as on June 2024.
- The bank has a vast pan-India network of 6587 branches and 17,102 ATMs & CRMs and a fine global footprint as well.
- The bank is also present across segments of life insurance, general insurance, asset management and capital markets businesses and is one of the leading players in each of these businesses.

Investment Thesis

- **Strong Retail Asset and Liability franchise:** The bank has an enviable retail franchise both on the asset and liabilities side. It has a high CASA ratio of 40.9% as on June 2024 providing it with access to low-cost funds. The flight towards quality private banks will further accelerate faster than market growth and market share gains in liabilities going forward.
- **Continued investment in people and technology:** ICICI Bank is on a fast mode, given its leadership in lending, especially retail, strong deposit traction with CASA (next to KMB/HDFCB) and recent adaptation to technology. The bank's healthy collaboration with fintech should provide the tailwind to improve its product profile further.
- **RoE of lending business to sustain at higher levels:** While ICICI has improved its RoE to 18.7% (FY24) Current improvement in return ratios is a factor of larger credit cost delta than its historical levels. The bank is leveraging its customer franchise to showcase profitable growth and remains under penetrated, resulting in strong growth momentum and limited asset quality issues.
- **Gaining pace of NPA resolutions:** Over the last couple of years, it has been very transparent in recognizing and providing for its NPAs. It has maintained its provision coverage ratio stable at 75%+ over the last 2 years. With NPA resolution gaining traction, ICICI Bank may benefit from reversal/ write backs over the next 1-2 financial years.
- **Leading position in asset management & insurance businesses**: The bank is in the leading position across segments of life insurance, general insurance, asset management and capital markets businesses through its subsidiaries viz ICICI venture funds, ICICI Pru AMC, ICICI Securities, ICICI Prudential Life, and ICICI Lombard. These subsidiaries contribute significantly to the Bank's value and provide large cross sell opportunities to ICICI Bank's customers.

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
Strong brand equity and professional management	Overall asset quality is still not the best (although improving), with GNPA as of June 2024 at 2.15%	Investment in technology for customer acquisition, strong underwriting and cross selling of various products and services.	Vulnerable to system-wide deterioration in the quality of retail/wholesale assets.
Strong Retail Liability franchise will help the bank to protect NIM or even improve the same with increase in interest rates		Change of strategy towards 360-degree offerings to drive holistic growth for the company.	Increasing competition and technology related disruption.
Low cost to income ratio			Lower growth in system deposits can lead to higher competition for deposits and hence higher cost of funds.
Presence across BFSI spectrum through subsidiaries with top positioning in each.			

INVESTMENT RATIONALE AND SWOT

Nippon Life India Asset Mgmt Ltd

Nippon Life india Asset Management Ltd

About the company

- NAM is one of the largest asset managers in India, managing (directly & indirectly) assets across mutual funds including Exchange Traded Funds, managed accounts, including portfolio management services, alternative investments funds, and offshore funds and advisory mandates.
- It also acts as an advisor for India focused Equity & Fixed Income funds in Japan (launched by Nissay Asset Management), and in Thailand (launched by BBL Asset Management). It also manages offshore funds through its subsidiaries in Singapore & Mauritius and, also has representative office in Dubai thereby catering to investors across Asia, Middle East, UK, US, & Europe.
- As of June 24, it manages overall AUM of Rs 4,838 bn and serves 26.3 mn total folios.

Investment Thesis

- **Stable market share after decline in the past**: Having gone through a challenging phase and a meaningful dent in its market share, NAM has now stabilized itself under the new owner. The positioning of the business seems well balanced across active, fixed income and passives. NAM's MF AUM has seen ~13% CAGR in the past decade, with active equity witnessing ~20% CAGR. The share of active equity has increased to 49.8%. The share of ETFs has grown to 26.8%, while the share of debt and liquid has declined since FY2018 to 14.9% and 8.5%, respectively (Q1FY25).
- **Market share stabilization in the SIP book:** NAM's SIP AUM is Rs 1.2 Tn (Q1FY25), with a market share of ~9.36%, higher than its overall equity market share of ~6.88%. Its market share of SIP gross flows is around 11%, showing an upward trend in the last few quarters. The recent improvement in fund performance augurs well for winning fund approvals from the banking channel, thus aiding SIP creation from the banking channel.
- **Fund performance: Steady, solid improvement:** NAM's fund performance has been one of the best in the industry over the past couple of years. Majority of its schemes rank in the top 10 in their segments. Nippon's largest fund i.e. small cap fund has an excellent track-record across time periods. Nippon India Large Cap Fund and Nippon India Multi Cap Fund (AUMs of Rs 295.3/349.4 bn) consistently ranked 1/4 for over a year now resp. Nippon India Vision Fund (AUM of Rs 50.1bn), which is a large and mid-cap scheme, also improved its performance ranking over the last 2 years.
- **Passive tailwinds to support growth:** NAM's strong presence in passive segment and emerging adoption of passives in select segments will support higher passive growth over the medium-term. Growth in passives is likely to be multi-pronged, led by equity but also gaining traction in commodities (gold, silver) and fixed income (liquid ETF, CPSE, SDL bond ETFs).

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
Largest retail AMC with retail/total MF AUM of ~30% and strong SIP flows	Lack of primary banking partner	Structural change towards savings in financial assets in India	Adverse regulations impacting AMC industry (TER regulations)
Higher Share of AUM from Beyond Top 15 Cities		Improvement in performance with new leadership in place	Rise in inflows in ETF/Passive funds impacting profitability
Excellent distribution channel		Scaling up alternate business (PMS/AIF)	Fund under performance could trigger outflows
Trusted brand (largest Japanese Life Insurance Company)		Leveraging Nippon Life's Global network for international tie ups and partnerships	

INVESTMENT RATIONALE AND SWOT

Quest Investment Advisors
SEBI Regd PMS & AIF Managers

NTPC Ltd

एनटीपीसी NTPC

About the company

- NTPC, a Maharana company set up in 1975, is India's largest power generation company with installed capacity of 76.05 GW, accelerating power development in India. Since then, it has established itself as the dominant power major with presence in the entire value chain of the power generation business.
- From fossil fuels it has forayed into generating electricity via hydro, gas, nuclear and renewable energy sources. This foray will play a major role in lowering its carbon footprint by reducing greenhouse gas emissions.
- To strengthen its core business, the corporation has diversified into the fields of consultancy, power trading, training of power professionals, rural electrification, ash utilization and coal mining as well.

Investment Thesis

- **Steady earnings growth outlook given regulated ROE model:** NTPC is likely to award 15.2 GW new thermal capacities in next 3 years and expected to complete 10 GW of coal projects and 8 GW of RE projects, which are under construction, before FY27. The regulated tariff model assures that NTPC will earn a fixed ROE of 15.5% on power project equity and thus provides strong earnings growth visibility over FY25-26E.
- **Focus on RE expansion** – rerating catalyst: NTPC has total RE portfolio of 25 GW, of which 3.1 GW is operational, 11.5 GW under construction and 11 GW under pipeline. NTPC expects RE portfolio to expand further to 60 GW by FY32, driving down share of thermal power capacity to 64% from 82% in FY24. Although, the transition towards cleaner energy would be achieved over next decade but the same is crucial to improve ESG score and drive the next leg of growth, which would be catalyst for re-rating for the company.
- **New Business Development** – Company signed a supplementary JV agreement with Nuclear Power Corporation of India for development of Nuclear Power Projects. 2.8 GW of project is under active consideration for award (Capex of Rs. 42,000 Crore). It is also exploring Small Modular Reactor technology in collaboration with BARC.
- **Potential IPO for NTPC Green Energy to unlock value** - The company has created a separate subsidiary NTPC Green Energy Limited and will transfer all RE assets to it. It would benefit from the listing of its renewables business as the funds raised would reduce NTPC's requirement to invest equity in NGEL's capacity expansion.
- **Strong cashflows to support dividend payout:** NTPC's standalone operating cash flow stood at Rs. 34,835 crores in FY24. The same is expected to remain strong, thus sustaining high dividend payout (at 42% in FY24).

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
India's largest energy conglomerate with presence in the entire value chain of the power generation business	High Dependency on Coal	Steady earnings growth outlook given regulated ROE model	Low ESG Rating
Lower cost of funding compared to private players which provides an edge in renewable business	Increased working capital due to delay in payments from discoms	New Business development of Nuclear Power projects.	Technological disruptions
Strong financial performance	Large-scale projects face execution delays, which could impact profitability and project timelines.	Potential IPO for NTPC Green Energy to unlock value	Delay in renewable capacity addition and / or at lower returns due to increased competitive intensity

OFSS Ltd

About the company

- OFSS, 72.75% owned by Oracle Corporation (US) is a world leader in providing IT solutions to the financial services (BFSI) industry.
- OFSS offers a comprehensive suite of offerings encompassing retail, corporate & investment banking, funds, cash management, trade, treasury, payments, lending, private wealth management, asset management, compliance, enterprise risk and business analytics.
- The 'Product' business (comprising product licensing, consulting and support) is its principal business segment and formed ~91% of revenue in FY24.
- OFSS has doubled its customer base over last 5 years; its customer base has undergone a big change with the acquisition of Small & Medium (SMB) Businesses and Startups, which accounts for 30% of the customer base
- OFSS attached great emphasis to building and expanding its partner network with organizations, which can promote, sell, implement and support its offerings around the world. Leading system integration (SI) partners play active role in delivering solutions to customers of company in India, Americas, Europe, Asia Pacific, ME & Africa.

Investment Thesis

- **Faster cloud migration by Fintech companies** – OFSS is now witnessing bunching up efforts of past few years with faster migration to cloud applications by Fintech companies for their Core Banking Solutions (CBS). Consequently, the company has started working towards making its portfolio available on cloud as well. Most of the API applications have been seamlessly integrated with OFSS's CBS. With cloud applications, the company now has 1) enhanced infrastructure 2) knowledge of building & testing cloud applications. And hence, able to give more holistic solutions to customers. As a result, OFSS's revenue is shifting more towards recurring revenue services (& less transactional revenues).
- **Focus on marketing resulting in sizeable deal wins** – as visible in FY 2024. The company has signed license fees of US$ 137.3 million across its entire range of products registering 43.7% y-o-y growth, ensuring double digit revenue growth over the next couple of years. The company is positive for the next few years because of winning largest cloud migration deal in the world recently as this deal provides acceptability to OFSS, which the company should be able to leverage.
- **SAAS Opportunities** - SaaS is the business model specific to cloud computing, along with Infrastructure as a Service (IaaS) & Platform as a Service (PaaS). It offers one of the best ERP applications in SaaS market. Customers are now more amenable to SAAS and opting for the same. While license fee comes upfront, rest of the income (from support, consulting, etc.) flows over 3-5 years.

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
Promoter pedigree & strong brand	Focused only on BFSI vertical – may face cyclical impact	Faster cloud migration by fintech companies auguring well for OFSS.	Agile solutions by start-ups for specific solutions would lead to revenue leakage for OFSS
Strong product portfolio & marquee customers such as HDFC Bank, National Australian Bank, KeyBank (US), etc.	Not much pricing flexibility for OFSS – it has to comply with the patent's standards	Focus on marketing leading to higher license fee signings.	Negative pressure on pricing as customers seeks to streamline their IT budgets
Strong network of strategic and solutions partners			

INVESTMENT RATIONALE AND SWOT

Quest Investment Advisors
SEBI Regd PMS & AIF Managers

PCBL Ltd

PCBL

About the company

- Phillips Carbon Black Ltd (PCBL) is a part of RPG Group and largest carbon black manufacturers in India by capacity and 7th largest carbon black company globally.
- PCBL is the largest carbon black exporter from India having presence in 60+ countries. Currently, export accounts nearly 33% of revenue and 67% of the domestic market. The company is also aggressively focusing on value added business of specialty Carbon Black products and has developed more than 60 grades of products as of date.
- In a strategic move to diversify its specialty chemicals portfolio, PCBL signed a deal worth ₹3,800 crore in Q4FY24 to acquire Aquapharm Chemicals Private Ltd (ACPL). This acquisition marks PCBL's entry into the global water treatment and oil & gas chemical segments, enhancing its capabilities in specialty chemicals.

Investment Thesis

- **Expansion to drive growth:** After building a new greenfield plant of 147,000 MTPA of Rubber Carbon Black capacity in Chennai, which was commissioned by December 2022, the company continues to expand its production capacity on back of strong demand. Over the next 3-4 years, the management has earmarked a capex of INR 2500 crore and increase the capacity by more than 11 lakh TPA from 7.7 lakh currently over the next 3-4 years.
- **Focusing on Specialty Carbon black segment:** PCBL is focusing on moving up the value chain and producing more value-added products (wherein the contribution margins are as high as 2.5 times of Rubber Carbon Black) and to mitigate the competition from China & Russia. The largest player globally has approx. 300 plus grades whereas PCBL has managed to develop 60+ grades currently.
- **Margin expansion:** Better product mix due to ramp up of Specialty Carbon Black volumes from 35,000 MT in FY22 to ~70,000 MT (will lead to an increase in blended EBITDA per ton) by FY25E coupled with process efficiencies and operating leverage will drive financial performance in medium term.
- **Diversification:** The diversification into ACPL is expected to strengthen PCBL's market position in high-margin chemical segments, leveraging ACPL's expertise in phosphonates and biodegradable chelating agents. Company has capex plans of INR 600-700 crore for capacity expansions in US as well as in India.

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
Strong R&D capabilities; developing niche Specialty Carbon Black products	Large part of business is still commodity	EV will create demand for superior grades of Rubber Carbon Black and improve margins	Higher than estimated time for turnaround in ACPL
Presence in 60+ countries with tie-ups for decanting stations	Dependency on carbon black feed stock which is 80% of raw material cost and linked to crude prices	Successful development of superconductive grades of Specialty Carbon Black	Action by Pollution Control Board can hamper manufacturing operations
		Phasing out or higher cost of production in China can lead to better realizations	

Piramal Pharma Ltd

About the company

- Piramal Pharma Ltd. is a demerged entity from Piramal Enterprise Ltd., with focus on complex products and services at global scale in healthcare.
- PPL has business has 3 key divisions –
  - **CDMO**: Company generates 58% (in FY24) of its revenues from commercial manufacturing and development services with strong capabilities in niche, complex areas such as Antibody Drug Conjugates (ADCs), High Potency APIs & Sterile injectables.
  - **Complex Hospital Generics (CHG)**: It is the 4th largest player in the global Complex hospital generics market and the only company to have entire generation of inhalation anaesthesia. This division contributes 30% of revenue.
  - **India Consumer Healthcare (ICH)** which includes well established OTC brands like Saridon, Lacto Calamine, i-pill, Supradyn, Polycrol and Tetmosol and forms 12% of overall revenue.

Investment Thesis

- **Turnaround in CDMO business is improving prospects** - Piramal is the 13th largest CDMO player globally and one of the few globally integrated players with presence across discovery, development (pre-clinical, phase I, phase II and phase III) and commercial manufacturing (both patent and off-patent products). Post covid, the company is now receiving new orders which has led to an improvement in overall performance. It has a strong pipeline of 35-40 projects in phase 3 and decent regulatory track record to drive revenue growth going ahead.

- **Leading market share in inhalation anaesthesia products in US** - CHG business includes key products like sevoflurane, isoflurane, desflurane, baclofen and halothane. Piramal has 44% market share in sevoflurane and 76% in baclofen pre-filled syringe and vial market in the US. CHG segment has high entry barriers. Besides, Piramal is vertically integrated in all key products, which provides a cost-competitive position and a secure supply chain. Further, its pipeline of 25 products has an addressable market of US$ 2 bn. These products are likely to be commercialized over the next 3-4 years.

- **New launches, better recall to drive growth in ICH Portfolio** - ICH contains power brands like Lacto Calamine, Littles, Polycrol, Tetmosol and I-range. These brands accounted for 45% of segmental revenue in FY24 and grew at 15%. The company has widened its presence by marketing its products through e-commerce platform (20% of ICH revenue) and has also ramped up new launches with over 100 new products launched between FY21 to FY24. Strong macro drivers like young population, growing urbanization and rising disposable incomes to help the business grow faster going ahead.

- **Scope for EBITDA% improvement** – PPL is on track to raise its revenue share from the innovative business' contributing ~50% of the CDMO business in the near term. The company aspires to achieve an asset turnover of 2-2.5x in the next few years. Management's focus ahead is mainly towards boosting organic growth across all its business verticals, optimize cost to boost margins and scale down EBITDA to net to debt to less than 3x.

INVESTMENT RATIONALE AND SWOT

Quest Investment Advisors
SEBI Regd PMS & AIF Managers

Piramal Pharma Ltd

Piramal Pharma Limited

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
Strong managerial bandwidth to manage complex and diverse businesses	Manufacturing facilities in US & UK have high operating overheads	CDMO business has strong growth potential with 38 molecules in Phase 3	Inflationary pressures can affect margins, especially of the facilities in US & UK
Leading global player in CDMO and hospital injectable space	ICH business requires high promotional spends which is impacting margins	Huge opportunities in global Anaesthesia as well as in ICH segment.	US FDA regulatory risks

SH Kelkar & Co. Ltd

About the company

- SH Kelkar (SHK) is the largest Indian-origin Fragrance & Flavor Company in India and has over 90 years of experience in the industry. Fragrance accounts for 86% of FY24 revenues, Flavors contribute 14% of sales.
- Owing to its innovative product offerings and long-term relationship with suppliers and customers, SHK has ably created a strong brand of its own in this space. The company's products are offered under SHK, Cobra, Auris, Wheel, Three Birds, and Keva brands.
- Over the years, SHK has developed a vast product portfolio of fragrances and flavor products for the FMCG, personal care, pharmaceutical and food & beverages industry.
- SHK has a strong customer base (3,700 customers in fragrance and 400 customers in flavors) and Top 10 customers account for 25% of Fragrance revenue implying low concentration risk.
- The Company has a strong & dedicated team of scientists, perfumers, flavorists, evaluators and application executives at its facilities and five creation and development centers in India, Singapore, Amsterdam, Indonesia, and Italy for the development of fragrance and flavor products.

Investment Thesis

- **A Quasi FMCG player**: SHK has a large customer base with over 4,100 customers, which not only includes leading domestic and multinational FMCG players but also dealers and SMEs. Out of total customers, the fragrance business caters to over 3,700, which includes major players like Godrej Consumer, Marico Limited, HUL, VINI Cosmetics, among others. SHK has over 400 customers for its flavours business which include Britannia India, VICCO Laboratories, Vadilal Industries among others.
- Management is targeting **12% growth in fragrance business** led by
  - 6-7% volume growth in existing products (while FMCG market to grow @ 3-4%)
  - **New product launches** -adding ~ Rs. 50-70 crore p.a.
  - Good traction in new geographies such as Russia, Africa, SE Asia.
  - SHK is building strong portfolio offerings for premium e-commerce & startup companies. Though these are at present not adding significant value & volume, they are very important to sustain growth going forward.
  - Cosmetic portfolio of natural products and cosmetic actives
  - Global Consolidation (Firmenich merged with DSM) opens business opportunities with large global MNCs as level 2nd supplier.
- Another trigger for fragrance business would be scale-up from the **commercialization of RFP (Request For Proposal) from a large MNC FMCG company.** It's a large volume business. Though gross margins would be lower, Operating margins are similar as in current business as there are no marketing overheads.
- Demand driver for **15% growth in flavor business** are –
  - Growing domestic market.
  - Foray into new segments such as nutrition, baby care & pharma; the company has upgraded its facilities to a global standard for this purpose.

INVESTMENT RATIONALE AND SWOT

Quest Investment Advisors
SEBI Regd PMS & AIF Managers

SH Kelkar & Co. Ltd

Keva

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
Largest Indian player in F&F segment with extensive product portfolio	Dependent on growth in FMCG sector	6-7% volume growth in existing business, premium e-commerce offerings, cosmetic portfolio & global consolidation to drive 12% growth in fragrance business.	Increased competition from MNCs as well as from unorganised market
Strong entry barriers - long customer acquisition time & extensive product bouquet	Stretched working capital cycle owing to fluctuations in RM price & availability	Commercialization of RFP from MNC FMCG company in fragrance business	Product failure or quality issues
Strong R&D Capabilities and 7 creative development centres located across 3 continents	Complex corporate structure with many subsidiaries & JVs	Growing domestic market, higher exports, and foray in new segments such as nutrition, baby care & pharma to derive 15% CAGR in flavour business	
Extensive international footprint		Global ingredient business turning positive with backward integration	

INVESTMENT RATIONALE AND SWOT

Quest Investment Advisors
SEBI Regd PMS & AIF Managers

Samhi Hotels Ltd

SAMHI
SMART HOTEL INVESTMENTS

About the company

- SAMHI Hotels Ltd is a prominent branded hotel ownership and asset management platform in India, with the third largest inventory of operational keys (owned and leased) in India as of Sept 2024.
- Within 12 years of starting their business operations, SAMHI has built a portfolio of 3,839 keys across 25 operating hotels in 12 of India's key urban consumption centers.
- All SAMHI hotels are in the Upper Upscale, Upscale, Upper Mid-scale and Mid-scale hotel segments, typically operating under long-term management contracts with established global hotel operators such as Marriott, Hyatt and IHG.

Investment Thesis

- **Track record of acquiring and turning around assets:** The company acquires or builds primarily business hotels and takes steps to upgrade the properties and engages with established branded hotel operators to allow the hotels to be appropriately positioned within the market. After this one-time upgrade, the company deploys its in-house and proprietary asset management tools and capabilities to enhance the financial and operational performance of the property.
- **Asset ownership business model:** Using an acquisition- and turnaround-led strategy, SAMHI has established an asset ownership business model that has enabled it to achieve scale and earnings growth by incurring lower capital expenditure. Ownership model creates significant operating leverage, which is beneficial in current upcycle,
- Since SAMHI's inception in 2010, it has added c.369 keys to its portfolio per year (including ACIC portfolio acquisition), demonstrating its ability to identify, acquire and turn around hotels a/with Low average cost per key compared to industry levels
- **Renovate and rebrand to increase average room rates:** After acquiring underperforming hotels, SAMHI usually renovates and rebrands them; historically, its acquisitions have shown accretive returns on incremental capital expenditure. This has primarily been driven by a material increase in average room rates post renovation and rebranding, which leads to significant growth in hotel revenue and profitability.
- **Pipeline:** SAMHI has a pipeline of 617 keys, out of which 165 keys will likely get commissioned by FY2025, while the balance of 452 keys (including 350 keys addition from Navi Mumbai) will be commissioned by FY2028

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
Presence in 12 of India's key urban consumption centres including Bengaluru, Hyderabad, NCR, Pune, Chennai and Ahmedabad	High financial leverage	Increasing domestic travel and urbanization driving demand for quality hotel rooms	Cyclical nature of hospitality industry
Hotels operate under long-term management contracts with established global brands like Marriott, Hyatt and IHG	Reliance on third-party hotel operators	Potential to acquire additional hotel properties and expand portfolio	Intense competition from other hotel chains and alternative accommodation options
Management's expertise in turning around hotel operations	Heavy reliance on key markets like Bangalore, Hyderabad, Pune, and NCR, which contribute 70% of total revenue	Opportunities to improve margins through integration and rebranding of acquired properties, such as the ACIC portfolio	

INVESTMENT RATIONALE AND SWOT

Quest Investment Advisors
SEBI Regd PMS & AIF Managers

Sansera Engg. Ltd

SANSERA ENGINEERING

About the company

- Sansera is an engineering-led integrated manufacturer of complex and critical precision engineered components (technology developed in-house) across automotive and non-automotive sectors. The company has a strong design and engineering team of 277 engineers.
- It has 16 plants spread across key automobile manufacturing hubs in India and one in Sweden. Its production lines are fungible (interchangeable across sector).
- Within the automotive sector, SEL manufacture and supply a wide range of precision forged and machined components & assemblies, such as connecting rod, rocker arm, crankshaft, gear shifter fork, stem comp, and aluminum forged parts, which are critical for engine, transmission, suspension, braking, chassis and other systems for the 2-wheeler, passenger vehicle and commercial vehicle verticals.
- Within the non-automotive sector, it manufactures and supplies a wide range of precision components for the aerospace, defense, off-road, agriculture and other segments, including engineering & capital goods.

Investment Thesis

- **Growth in Technology agnostic, xEV, Aerospace & Defence segments**: Company has been steadily adding new products to portfolio catering to newer segments to reduce the dependence on Auto ICE segment. Aerospace & defence segments are expected to grow at the strong rate in coming years backed by order book & supported by new facility. Overall contribution from these 4 segments is expected to increase to 40% over the medium term from current 24.6% levels (FY24). Assuming marginal growth in base business, new product order book of INR 1690 Crore will mature in next 3 years, thereby driving the topline to INR 4000+ Crore by FY26
- **Foray into niche aluminium forging segment**: - Sansera has been present across entire value chain of designing, forging, and machining in steel products. The company has now developed similar end to end capabilities in niche aluminium forging along with in-house anodizing. Only one another small player has similar capabilities in India with similar products. Aluminium forging is getting strong traction due to lightweighting applications across auto, aerospace and defence sectors. Sansera already has orders from Tesla & JLR and expects this to be a major growth driver in coming years.
- **Strong Order book provides revenue visibility** - The company has experienced a significant upswing in its order book, particularly in areas beyond traditional ICE components. As of June 24, the company's new orders, with a peak annual revenue rate of Rs 1,690 Cr (63% global content), show a noteworthy shift, with ~49% of the share emanating from non-ICE segments, which comprises of 9% from Tech Agnostic Auto, 17% from Electric Vehicles (EV), and 23% from Non-Auto sectors. While 51% of the new orders are attributed to ICE components. Notably, the relatively vulnerable 2W-ICE segment, which is facing highest risk from EV disruption, constitutes only 15% of the total order book.

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
Integrated manufacturer of complex & critical precision forged and machined components	Dependence on 2-wheeler ICE segment, which contribute 42% of FY 24 Sales	Growth in Technology agnostic, xEV, Aerospace & Defence segments	Adverse commodity / forex movement
Strong design capabilities		Foray into niche aluminium forging segment	Faster adoption of e-motorcycles in India.
Marquee & diversified Customers base		Recovery in international business	

Sequent Scientific Ltd

Sequent
Proven Ability In Life Sciences

About the company

- SeQuent Scientific is India's largest and amongst the 'Top 20' global animal health (AH) companies, backed by global investment firm 'The Carlyle Group' as promoter (52.79% stake). Carlyle's involvement as a promoter will allow SEQ to leverage its global network, thereby accelerating business growth, enhancing operations, and strengthening its product innovation capabilities.
- The company is into generic Formulations (73% of sales) for production and companion segments as well as API (27% of sales) catering into regulated as well as semi-regulated markets and a having portfolio of 30+ APIs and 1000+ finished dosages across 12 forms.
- Manufacturing Presence - In recent past, the company has closed its manufacturing plants located in Germany, Mahad and Tarapur to consolidate operations, control costs and shift towards low-cost alternatives.

Investment Thesis

- **Portfolio Ramp up & new product launches** - The company is working on new product development pipeline, consolidating ongoing development, and adding new projects, particularly in the Companion Animals segment. The company has introduced a Phyto-solutions line which is a preventive solution for swine, ruminant and poultry production, offering an alternative to antimicrobials. The same has been launched in Germany for swine segment. The company has signed a master supply agreement with a global animal health player and started commercial supplies. The focus remains on expanding products offerings and adding new customers. The company is actively looking into CRO through Sequent Research Ltd (wholly owned subsidiary) which has a team of 70+ scientists at USFDA-approved analytical division in Mangaluru.
- **Scale up of API Business** - The company is focused on profitable growth in the API business and has taken number of steps by restructuring portfolio by removing low margin commodity products and onboarding animal health formulation companies worldwide. The company is planning to enter into regulated markets like US by product filings on back of USFDA approved facility in Vizag wherein it has added a new manufacturing block. The same is reflected with 8 new filings in FY23, which includes 5 in the US Veterinary Master Files market (total filings at 29) and 3 in the EU Certificates of Suitability (15 approved). Also, it is targeting next generation anti-parasite APIs (existing portfolio – Albendazole for deworming) and entering in new segments such as anti-bacterial and pain management.
- **Margins to improve going ahead** - The company has taken a number of steps to increase the margins currently at single digit to double digit in FY25 and mid-to-high-teens in FY26 (as guided in recent conference calls). Also, low double digit topline growth would aid the operating leverage. The consolidation of plants in India (discontinuing Tarapur and Mahad) and closing of Germany alone can bring in INR 22-24 crore annual savings. Also, the company has undertaken Project Pragati, a large-scale cost transformation and margin improvement project, has been launched across the business.

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
Wide footprint at global level	Demand issues in Turkey & Europe Formulation business	Scale up of API Business thru portfolio restructuring, entering regulated markets as well as new segments.	US FDA regulatory changes
Compliant manufacturing facilities	Pricing pressure in API Business	Speedier portfolio Ramp up & new product offerings	Volatility in RM prices
Strong R&D team		Profitability improvement led by plant consolidation & large-scale cost transformation strategies.	

INVESTMENT RATIONALE AND SWOT

Quest Investment Advisors
SEBI Regd PMS & AIF Managers

Trent Ltd

TRENT
LIMITED
A TATA Enterprise

About the company

- Incorporated in 1998, Trent Ltd. Is the retail arm of Tata Group is headquartered at Mumbai with Pan-India operations.
- It primarily operates across five formats – Westside, Zudio, Star, Landmark & Utsa.
- Westside fashion stores which is the flagship brand of Trent, offers an exclusive range of its own branded fashion of apparels, footwear, lingerie, cosmetics, perfumes, handbags, and accessories for men, women & kids, along with a wide range of home furnishings & decor. It currently operates 226 stores across 81 cities as of Sept. 2024.
- Zudio, a one stop destination for great fashion at great value, has proved to be Trent's new growth driver with 577 stores across 184 cities as of Sept. 2024, offering exclusive trendy fashion at affordable price points.
- Trent's Food & Grocery offering under 'Star' brand operates 74 stores (as on Sept. 2024) in a 50:50 JV with TESCO Plc. under Trent Hypermarket Pvt Ltd (THPL) & Fiora Hypermarket Ltd. (FHL), a subsidiary of the company. Landmark is a family entertainment format store which focusses on toys, stationery, books, technology and sports.
- Trent has also launched 22 stores under its 'Utsa' which is its women's ethnic wear brand, and 10 stores under "MisBU" offering range of beauty, personal care, fashion accessories & décor targeted at Gen Z & millennials (as of March,2024).

Investment Thesis

- **Zudio (Value Fashion) shows huge potential for driving up scalability and growth**: Zudio has shown excellent scaling up capabilities from 7 stores in FY18 to 577 stores as of Sept. 2024. Zudio has been very well received on account of its sharp price points, attractive collections, good quality, etc. Its network expansion remains very healthy and there are immense opportunities for further expansion in new as well as existing cities.
- **Footprint expansion aided by Private Labels and Operating Cost efficiencies:** Trent's cumulative store count has been on an upward trend (189 stores in FY18 to 811 stores in FY24, CAGR of 27%) owing to Westside's private labels strategy leading to focus on cost efficiency. This aids lower inventory and better control on sourcing & supply chain. Trent is also a play on the Inditex JVs (Zara and Massimo Dutti) & Trent Hypermarket (Star Bazaar).
- **Additional Growth Drivers:** Trent has commenced Utsa (small format ethnic womenswear) and MisBU (accessories, innerwear, cosmetics store) and these new formats will further aid growth prospects.
- **Strong Cash flows translating into increased profitability:** Trent reported a stellar performance with industry best revenue growth with strong liquidity position (Cash & Investments worth ₹ 280+ Cr).

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
Own brands contribute majority of Westside revenues allowing control across the value chain	Star bazaar, despite having early mover advantage, is a drag on consolidated performance	Zudio shows huge potential for driving up scalability and growth	Economic slowdown
Steady increase in number and size of bills, along with a SSSG steady in high single digits.	'Landmark' retail chain suffering the brunt of E-commerce	Westside's execution capabilities and improving key metrics can provide room for margin improvement	Stiff competition resulting slower SSSG growth for Westside
In house designing and apparel sourcing reducing costs and increasing margins.		Footprint expansion aided by private labels and operating cost efficiencies	Inability to take price hikes to cope up with inflationary pressures

INVESTMENT RATIONALE AND SWOT

Quest Investment Advisors
SEBI Regd PMS & AIF Managers

TVS Holdings Ltd

TVS Holdings Limited
(Formerly known as Sundaram - Clayton Limited)
A complete solution provider for light metal castings

About the company

- TVS Holdings Ltd (TVSHL) was incorporated in Chennai in the year 1962 and was formerly known as Sundaram Clayton Ltd (SCL). The company was a leading manufacturer of aluminum die-casting components
- In August 2023, the aluminium diecasting business of SCL was demerged into a separate entity, SCL DCD and SCL was renamed as TVSHL which retained the investments in TVS Motors Ltd and TEL (TVS Emerald Ltd). The demerger was done through an elaborate scheme of arrangement.

Investment Thesis

- **Holding Value:** The company 50.26% stake in TVS Motors which is valued at over INR 49,000 crore (TVS Motor's market cap ~ INR 1,08,000 crore as on date). This implies a meaningful holding company discount of around 50% and rest of the assets and businesses of the company available free.
- **Exploring Opportunities in Real Estate:** Emerald Haven Realty Ltd (EHRL) is the real estate venture of the TVS Group. TVS Emerald has already delivered close to 2 million sqft. of residential housing to its customers across 5 projects in Chennai. TVS Emerald plans to launch five more projects soon, all with the single aim of making high - quality living spaces available to home buyers.
- **Strong Brand Recognition:** TVS is an established and well trusted brand not only in South India but all over India. A robust brand name is the key to success in the automotive sector, particularly with its two-wheeler and three-wheeler products as well as in real estate business. This strong brand equity fosters customer loyalty and enables premium pricing strategies.

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
Healthy cover for the holding company as it holds 50.26% stake in TVS Motors	High reliance on dividend inflows from holding	Monetization of real estate assets on back of strong brand recall	Downturn in real estate cycle can
Strong history assets in form of real estate in marquee locations		Corporate restructuring can unlock significant value	Slowdown in two-wheelers can affect TVS Motors and in turn TVSHL given its still a large part of overall value of company

Quest Investment Advisors
SEBI Regd PMS & AIF Managers

United Spirits Ltd

DIAGEO India

About the company

- United Spirits Ltd is India's biggest alcoholic beverage company and a subsidiary of global spirits leader, Diageo Plc, which holds ~56-57% stake in Diageo India. Its operations involve manufacturing Indian Made Foreign Liquor (IMFL) across all price points, from the Popular to Prestige & Above (P&A) segment.
- USL now commands three trademarks McDowell's, Royal Challenge and Johnnie Walker having Rs10bn+ net revenue in FY24 and Signature, Black Dog and Black&White having Rs5bn+ in net revenue. In terms of volumes, UNSP has seven 1mn+ case trademarks now in their portfolio of which McDowell's is 10mn+ volume, Royal Challenge is 5mn+ and then Johnnie Walker, Black Dog, Black & White, Signature and Director's Special whisky at 1mn+ cases.

Investment Thesis

- **Consumption buoyant despite stringent sector regulation**: Low per capita consumption coupled with positive demographics and >13mn people added each year to the population eligible for drinking, make India an attractive market for alcoholic beverages. IMFL sales volume is projected to reach 560 cases by FY28 from 385mn cases in FY23, growing at a CAGR of ~8%. Sales by value is estimated at Rs2,206.62bn in FY23 and is projected to reach Rs3,402.18bn by FY28, thus growing at a CAGR of ~9%.
- **Management confident of double-digit growth for the portfolio:** Post completion of the sale and franchising of select popular brands to Inbrew Beverages Private Limited, UNSP's mix of Prestige & Above (P&A) now stands at ~87% of net sales as on FY24. On a normalized steady-state base, the company continues to aspire for double-digit topline growth on the back of 7-8% price mix, driven by consistent premiumization. Volume growth will be 3-4% on the aggregate portfolio, given the better growth in the P&A portfolio led by focus, renovations/innovations and category additions.
- **Profitability improving year on year, courtesy of sustained premiumization:** Premiumization will continue to be a key driver of margin improvement over the medium-to-long term. UNSP is driving premiumization through multiple levers: 1) Within segments; 2) Within P&A; 3) Within trademarks; 4) Within categories. The mix of Mid & Upper-Prestige is expected to improve further from 22%(together accounted in FY24) driven by innovation/renovation work done across brands
- **Wide footprint:** The company has a strong distribution network and point-of-sale coverage; it operates via over 70,000 outlets across India (largest share of business in retail). This leads to a well-diversified state mix for the company compared to some smaller peers.
- **Strong promoter group:** Business synergies, financial flexibility and strengthened governance with ~56-57% stake held by Diageo Plc have yielded results over the past 4-5 years. Strong execution capabilities and Diageo's superior capital management ability complement USL's scale of operations.

INVESTMENT RATIONALE AND SWOT

Quest Investment Advisors
SEBI Regd PMS & AIF Managers

United Spirits Ltd

DIAGEO
India

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
Market Leadership: largest alcoholic beverage company in India	Regulatory Challenges: Highly regulated industry with state-specific policies leading to pricing controls and operational uncertainties	Growing Market Demand: IMFL sales volume expected to grow at an 8% CAGR to 560 million cases by FY28	Regulatory Risks: Different across different states
Strong Brand Portfolio: McDowell's, Royal Challenge, and Johnnie Walker	Margin Sensitivity: Dependence on key commodities like extra-neutral alcohol (ENA) and glass	Premiumization Trend	Competitive Landscape: Rivalries with global and domestic players like Pernod Ricard in the P&A segment could pressure market share
Extensive Distribution Network: Operating across 70,000+ outlets		New Product Introductions: Innovations like Johnnie Walker Blonde and McDowell's X Series	

INVESTMENT RATIONALE AND SWOT

Quest Investment Advisors
SEBI Regd PMS & AIF Managers

Zomato Ltd

zomato

About the company

- Zomato was founded as Foodiebay in 2008 and was renamed Zomato in January 2010
- Zomato started as a restaurant listing and reviews company for customers in India. It expanded into other geographies from 2012 onwards and made 18 acquisitions to enter multiple geographies.
- The company evolved into food delivery in 2016 and later ventured in quick commerce.
- While advertising and food delivery had a large share of revenues earlier, FY24 business mix is ~50.08% food delivery, 21% quick commerce, 27% hyper pure and 6% going out

Investment Thesis

- **Online Food Delivery still has long runaway for growth:** Online food delivery remains relatively underpenetrated despite Covid. Industry reports estimate transacting users to grow to 113 million by FY30E (from 77 million in FY24), with GOV seeing a 15% CAGR to reach US$ 18 bn (37% of restaurant consumption spend). This growth is likely to happen on the back of (1) rise in smaller households, (2) more women joining the workforce, (3) a growing middle-class, and (4) rising penetration in Tier-2/3 markets.
- **Quick Commerce emerging larger than food delivery:** Quick commerce has generated an annual GOV of US$ 4 bn in four years. But it is still early days, with 6% penetration of a US$ 63 bn TAM. With strong user traction, blurring of lines with horizontal e-commerce, and a shift away from kirana (general grocery) stores, industry estimates FY30E TAM to grow to US$ 211 bn with an annual industry GOV of US$ 25 bn.
- **Levers beyond commission for top line growth and profitability:** Commissions are 65-80% of Blinkit/food delivery adjusted revenue and unlikely to increase much given likely push-back. There are other growth levers though: (1) Platform fees – movie-ticketing/OTA charge 6-7%, while it is less than 1% for food delivery/quick commerce giving scope for expansion. (2) Ad revenue – helped by increasing platform scale.
- **Best in class execution:** Zomato is currently the market leader across both the online food-delivery and quick-commerce segments despite Swiggy having the benefit of a head-start. In online food delivery, industry estimates a 50% share (~39% share for Swiggy), while in quick commerce, Zomato (through Blinkit) has a 37% share (~30% for Swiggy Instamart).

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
Strong customer base and restaurant partnerships	Customers flock to apps which offer higher discounts	Large Target Addressable Market with a young population	Labor law changes on gig workers impacting delivery partners
Leadership and experienced management in growing food delivery business	Business model entails a lot of cash burns and discounting to sustain growth	Eating out culture has just taken off in India	Restaurants pressure on take rates and setting up their own delivery
		Only 2 players in the market leading to strong bargaining power for Zomato	

Risk Management
(Disclosures Under Regulation 22 (g) of SEBI (Alternative Investment Funds) Regulations, 2012)

Parameters	Level	Mitigants
Concentration Risk	Fund	▪ Fund shall not invest more than 10% of the NAV in any single Investee Company.
Foreign Exchange Risk	Fund	▪ Fund has invested only in Indian securities hence the fund's investments do not face any Foreign Exchange Risk.
Leverage Risk	Fund	▪ The fund hasn't taken any borrowings or invested in derivatives till 30th September 2024 nor does it plan to do so in the future.
Leverage Risk	Investee Company	▪ Strong Balance Sheet is one of the key investment parameters and hence most investments are likely to be in companies where the Debt Equity ratio is very comfortable.
Realization Risk	Company/Fund	▪ We will be investing only into listed equities which shall mitigate realization risk to a large extent. Till the funds are invested, they may be parked in overnight / liquid funds.
Reputation Risk	Company	▪ The fund prefers to invest in high quality businesses run by capable management teams that have a clear focus on growth and cash flows. ▪ The strategy attempts to invest in companies with improving business fundamentals. Periodic evaluation of management decision/strategy and company financials is being undertaken.
Extra Financial Risk	Company/Fund	▪ The fund aspires to manage satisfactory liquidity at all times for better management of any financial emergency. ▪ All expenses and financial obligations are well managed and provided for. ▪ For any investment in smaller companies, liquidity may be a risk. The Fund manager endeavours to take these risks by relying extensively on primary research. For such stocks, risk-reward trade-off between liquidity and long-term prospects is considered before investing and is also reviewed periodically post investments. ▪ Portfolio construction will be post considering the overall macro environment, valuations and risk reward equation at that point in time and reviewing each of the investment.
Regulatory Risk	Fund	▪ There have been no instances of any inquiries/ legal actions by legal or regulatory bodies against the Fund, Sponsor, Investment Manager or Trustees to the Fund.
Strategy Risk	Company/Fund	▪ The investment philosophy and strategy has been discussed in detail earlier. The fund will perform reasonable due diligence/research and seeks to make Fund Investments in Investee Companies that have the potential to earn superior returns vis-a-vis the broader markets.

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