

## Newsletter - September 2023

### Markets seen consolidating post massive rally; achievements in space & sports add glitter to India story

The month of August was a decisive period for the market, with India Inc's first quarterly results of financial year 2024 wrapping up in the duration. Owing to a high base effect, the revenue of Nifty 50 companies witnessed a 5% on-year rise during the quarter, indicating its slowest growth in 10 quarters.<sup>1</sup>

**While the revenue growth was muted, profitability witnessed an on-year spike of 33%, making it the highest in 6 quarters as India Inc enjoyed an expansion of margins due to declining input costs.** Even as banks and automobile companies came out on top, sector like infrastructure and pharmaceuticals also made a mark. However, IT depicted a mixed performance, while FMCG, metals and realty acted as laggards.

In this mixed scenario, and given the lack of positive or negative cues from the global front, the domestic market has displayed a flattish trend over the last month, following the massive rally of July. Across global and domestic indexes, we are witnessing a consolidation in stocks, which was largely expected after such a massive rally. **Coming to the data front, the GDP figure released on Aug 31 indicates that the domestic economy expanded by 7.8% in the past quarter, up from 6.1% in Q4, FY22<sup>2</sup>, thereby cementing India's position as the fastest growing major global economy.**



**Raghendra Nath**  
Co-founder, Managing Director

Separately, domestic inflation in July surged over industry estimates to rest at 7.44%, as against 4.87% in June, making it the highest reading since April 2022<sup>3</sup>. This is also the first time that the figure has spiked over RBI's upper threshold of 6%, since February 2023, thereby triggering concern over potential rate hikes in the future.

Earlier in July, the Monetary Policy Committee had maintained a hawkish pause while requiring all scheduled banks to maintain an incremental cash reserve ratio of 10%<sup>4</sup>, in an attempt to reduce systemic liquidity. While we do not expect the MPC to raise rates in the next meeting, we do not see them slashing the repo rate any time soon either. RBI will keep an eye on the movement of global central banks, and economic data, before deciding on their next move.

Moving to global cues, in US, interest rates have hardened substantially in the last one month. Towards the end of August, during his Jackson Hole address, Federal Reserve Chair Jerome Powell is reported to have stressed that the US central bank would proceed carefully and balance the risks of too much or too little tightening, thereby prompting participants to believe that the interest rate would remain unchanged for the next several sessions. Coming to China, we are witnessing some tension in the country's real estate sector, with shares of industry giant Country Garden Holdings plunging 70% in 2023, amid fears of a potential default making the rounds<sup>5</sup>. This news throws further light on the possibility of a recession hitting China, considering the country's exports are already substantially down.

In conclusion, despite volatility and uncertainty in the global paradigm, the India story has maintained its lustre in August, with strong data points and a robust earnings season. Given the uptick in inflation, we await cues from the Fed and the MPC, on rate movements, before building large positions and advise savvy investors to adopt the same approach.



Source: 1 <https://economictimes.indiatimes.com/markets/stocks/news/india-inc-q1-results-nifty-reports-slowest-revenue-growth-in-10-quarters-but-nat-gives-adrenaline-rush/articleshow/102849386.cms?from=mdr>  
2 <https://www.businessinsider.com/news/india-gdp-growth-accrains-to-78-in-nifty24-366417-2023-08-31>  
3 <https://www.bhaskar.com/business/india-cpi-inflation-surges-to-74-month-high-in-july>  
4 <https://www.livemint.com/economy/rbi-policy-live-rbi-monetary-policy-by-governor-shaktikanta-das-repo-rate-decision-by-rbi-mpc-31691576598594.html>  
5 <https://www.forbes.com/sites/derekssniff/2023/08/14/major-chinese-real-estate-developers-raters-to-record-low-as-potential-default-reminds-investors-of-chinas-real-recession-risk/?sh=370033a0417c>

## Proud Portfolio

**A unique approach to build a 'high quality high growth' portfolio of stocks that can deliver sustainable growth.**

Benchmark Nifty continued to remain range bound with negative bias. **Indian economy grew 7.8% year-on-year in the April to June quarter, which was a tad faster than the 7.7% expansion economists had forecast.** Positive sentiments flowed through after Federal Reserve Chair Jerome Powell signalled a careful approach to rate hikes and China announced new measures to support its struggling stock market. **The PMS has moved cautiously in deploying cash while holding on to the current investments that have done well.**

### Stocks in the news



#### HDFC Bank Limited

1

The merger of mortgage lender HDFC with HDFC Bank has pushed up the credit growth figures for July to 19% compared to 14.5% a year ago, driven by a steep rise in retail loans. Factoring the merger of mortgage lender HDFC with the bank, the retail loan book growth works out to an all-time high of 31.7% as housing loans worth close to Rs 5 lakh crore merged with the banking sector loan book.<sup>1</sup>



#### PVR Inox Limited

2

The September quarter of FY24 could be the best quarter for the Hindi box office in the post-Covid phase and is estimated to grow 20% in Q2 FY 24 versus pre-Covid level towards Rs 1,200 crore. Expectations for PVR Inox profitability in the September quarter are high which displayed promising signs by narrowing its losses in the June quarter of FY 24. PVR-INOX recorded its highest-ever monthly footfall of 1.9 crore cinemagoers in August and collected box office revenue of Rs 532 crore in the same period, the company said in an exchange filing.<sup>2</sup>



#### Titan Company Limited

3

The company has recently picked up another 27.18% stake in its subsidiary CaratLane Trading for Rs 4,621 crore which will take the holding to 98.28% with balance held by employees under the ESOP scheme. CaratLane is an unlisted private company engaged in the manufacture and sale of jewellery and is a subsidiary of Titan. This acquisition is in the right direction for acquiring full control of the largest omnichannel play in light jewellery segment in India with presence across 233 stores. Shares of Titan Company Ltd have surged 26.96% in the last six months.

### Market update



#### FII inflows:

After pouring a whopping amount into Indian equities in the past three months, foreign investors have slowed down the pace of inflow to Rs 12,262 crore in August on higher crude oil prices and resurfacing of inflation risks. Before this, FPIs invested over Rs 40,000 crore each in the past three months in Indian equities. There continues to be uncertainty in the global economy and the underlying scenario is fast changing. This will make the flows from FPIs volatile. Additionally, firming up of bond yields in the US would have also led some foreign investors to drift away from riskier markets in favour of greater certainty and better risk-reward profile offered by US treasuries.<sup>3</sup>



#### SME Platform Seeing Flurry of Listing Action:

A trading platform dedicated to small and medium enterprises (SMEs) is currently experiencing a surge of public offerings on a growing demand from wealthy individual domestic investors with the risk of such small issuances. In 2023, 100 SME firms have raised a record ₹2,600 crore of funds from the SME board, surpassing the previous record of ₹2,287 crore raised in 2018 by 141 firms. The surge in demand for SME IPOs is a result of heightened liquidity, stemming from the absence of significant-scale IPOs in recent months, coupled with a secondary market that is relatively less affordable. These 100 SME IPOs saw a demand for about ₹1.44 lakh crore, with 11 IPOs subscribed between 200 and 400 times, and 13 of them between 100 and 200 times.<sup>4</sup>

#### Proud Portfolio Performance vs benchmark for August '23

Particulars	CAGR	NIFTY 50 TRI	Outperformance
1M	1.76%	-2.31%	4.07%
3M	6.69%	4.38%	2.31%
6M	15.35%	12.15%	3.20%
1Y	11.33%	9.53%	1.80%
2Y	12.10%	7.31%	4.79%
Since inception	24.92%	20.51%	4.40%
FYTD	15.67%	11.79%	3.88%

Source: 1. [HDFC Bank credit growth surges to 19% in July due to HDFC-HDFC Bank merger impact - The Economic Times](#)  
 2. [Box office, and employment figures in Q2 FY 24: A record-breaking performance for Hindi films - The Economic Times](#)  
 3. [FPIs continue to pour into Indian equities, but bond yields in the US are firming up - The Economic Times](#)  
 4. [SME IPOs: A record-breaking performance for the SME board - The Economic Times](#)

## Fund Snapshot- ICICI Prudential Multicap

### Historical performance

Particular	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24 YTD
ICICI Pru MultiCap Fund	9.82	-30.31	73.57	23.15	3.17	20.07
Nifty 500 - TRI	9.73	-26.62	77.58	22.29	-1.22	16.99
Average	4.67	-25.77	77.02	27.84	0.70	21.97

### Performance Snapshot

Particular	Return
ICICI Pru MultiCap Fund	3.17%
Benchmark	-1.22%
<b>Outperformance</b>	<b>4.39%</b>
Small Cap Category average	0.70%

### Top 3 sectors performance wise FY23

Sector	Weight	Sector Return	Contribution to fund return
Consumer Discretionary	16.12%	10.96%	1.68%
Financials	27.97%	10.09%	3.05%
Industrials	11.19%	9.12%	0.90%

### Top stocks as per performance

Company	Weight	Return	Contribution to fund return
TVS Motor Co Ltd	2.90%	77.39%	1.81%
ICICI Bank Ltd	7.62%	20.76%	1.75%
JK Lakshmi Cement Ltd	1.05%	73.75%	0.71%
Cummins India Ltd	1.53%	43.54%	0.68%
Federal Bank Ltd	1.49%	33.26%	0.49%
Total	11.69%		3.63%

### Top stocks as per allocation FY 23

Company	Weight
ICICI Bank Ltd	7.62%
HDFC Bank Ltd	3.95%
Infosys Ltd	3.36%
TVS Motor Co Ltd	2.90%
Reliance Industries	2.34%
Total	20.17%

### Summary

- The fund is managed by Anand Sharma and Sankaren Naren. Anand Sharma has an experience of 12 years and has managed 2 funds before, whereas Sankaren Naren has managed 14 funds in total and has an experience of 34 years.
- The fund performed significantly well compared to the benchmark with an absolute return of 3.17% and an outperformance of 4.39%
- The returns can be majorly attributed to the stock selection of the fund manager
- The top 3 performing stocks for the fund were TVS motors (73.4%), ICICI Bank (20.76%), JK Lakshmi Cement(73.75%) indicating the superior stock picking ability of the fund.
- Within the Financial sector, the funds top holdings were in large cap giants such as ICICI Bank (7.62%) and HDFC Bank (3.95%) which paved of well for the fund
- Along with that the fund was significantly overweight in Consumer Discretionary sector which outperformed by 1.32% compared to the Benchmark