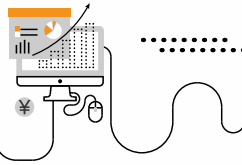


# EMKAY ENLAZAR

AUGUST 2022





## INVESTMENT SOLUTIONS



### SMART ALPHA

Using this approach, we try to mitigate typical fund manager vulnerabilities, primary among those being the "Selection bias" and the "Allocation bias".

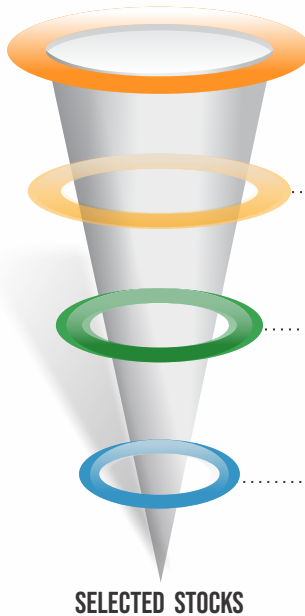
"Selection" bias and "Allocation" bias, if mitigated, can lead to superior risk adjusted returns consistently

The biases are mitigated by way of :

Defined universe for selection of stocks

Equi-weighted portfolio

Number of listed Companies = > 5,000



#### Defined Market Cap Filter

##### Focus on large and midcaps

- Top 250 companies as per Market Cap
- Net Sales > INR 500cr

#### Earnings Growth Filter

##### Focus on strong historic and future growth

- ROCE > WACC
- Earnings growth > GDP growth rate

#### Strong Leadership Framework Filter

- Strong leadership in the respective sector: Market share/ profit share/ cost/ growth/ product
- Strong Management credentials: Vision, track record, growth

#### Comprehensive Valuation Framework

- Comparative Valuations
- Price - Value gap through DCF with focus on Margin of Safety
- PEG ratio
- Market cap vs Opportunity Size

SELECTED STOCKS

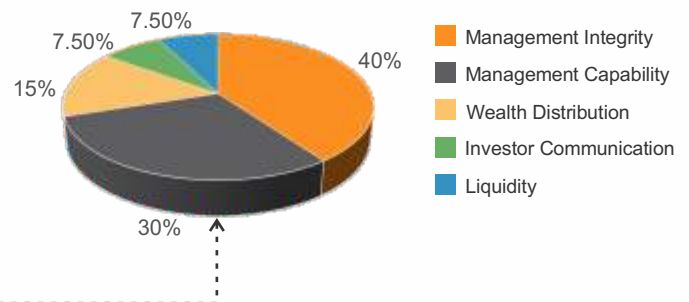
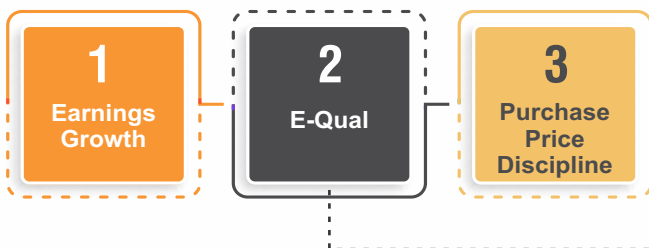


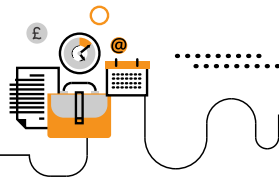
### E-Qual Framework

First of it's kind model in the country which calibrates the "Governance" aspect of a company. Each company is evaluated on the basis of the following parameters and a score is assigned to them.

Using this approach, we generate alpha through pure bottom-up stock picking and extensive research. We employ multi-pronged investment strategies and leverage proprietary models like E-Qual to deliver consistent long-term returns.

### Three Pronged Investment Process

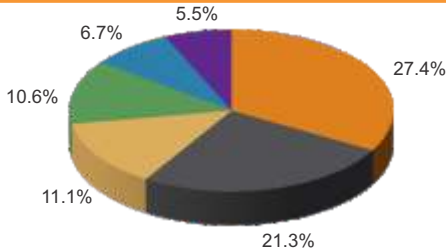




## Emkay New Vitalised India Strategy



### Sectors



- Capital Goods
- Auto
- Building Material
- Pharma
- Chemicals
- FMCG

**Note:** The current portfolio holdings may or may not be a part of the future portfolio holdings. Investors' Portfolio may vary from the Strategy Level Portfolio shown above in the Top Holdings. (Above Portfolio details are as on 31.07.2022)

### Model Portfolio

Companies	Sector	ISIN	Weights	Domestic Sales	Export Sales	Overseas Ops	PLI Scheme
Elecon Engineering Co. Ltd.	Capital Goods	INE205B01023	8.0%	61%	14%	25%	
Aarti Industries Ltd.	Chemicals	INE769A01020	6.7%	58%	42%		Yes
Ultratech Cement Ltd.	Building Material	INE481G01011	6.4%	100%			
Larsen & Toubro Ltd.	Capital Goods	INE018A01030	6.1%	80%	20%		
Voltamp Transformers Ltd.	Capital Goods	INE540H01012	6.1%	100%			

Data as on 31.07.2022

Benchmark

**The Nifty India Manufacturing Index**

Total number of Stocks **15-25**

**FLEXI CAP**

Digital onboarding facility for investors is now available

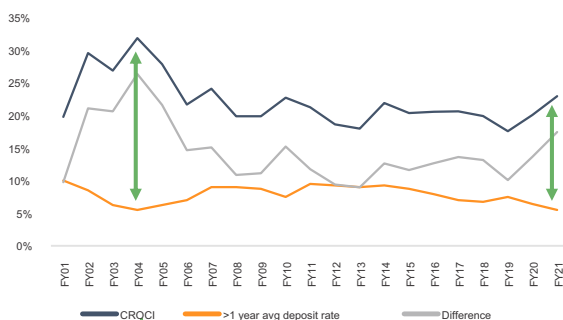
### Nursing back to health - THE MANUFACTURER

- 1 Attractive cash ROCE vs Bank deposits, Robust CU and order book, back to adding capacities
- 2 Sense of déjà vu
- 3 PLI scheme – potential to add 4% to GDP on p.a. basis if potential fully realised
- 4 Is China + 1 here to stay?

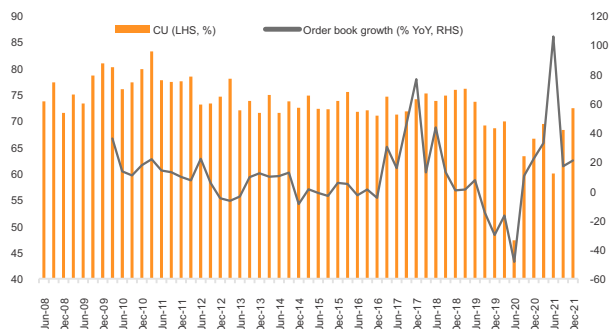
#### FY21-22 most attractive in terms of cash return on capital employed

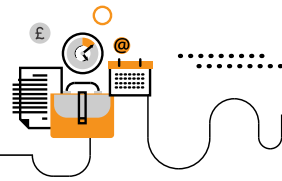
- Over past few years, due to various events like Demonetisation, GST and COVID, reported ROCEs have suffered a lot
- However, cash ROCEs have improved to almost 20%+ driven by tighter working capital cycles
- The difference between Cash ROCE and comparable investment at one of the highest
- Attractiveness of cash returns coupled with robust capacity utilisation(CU) has put manufacturers on front foot

**Best cash returns vs bank deposits**



**Capacity utilisation reaching previous peak**





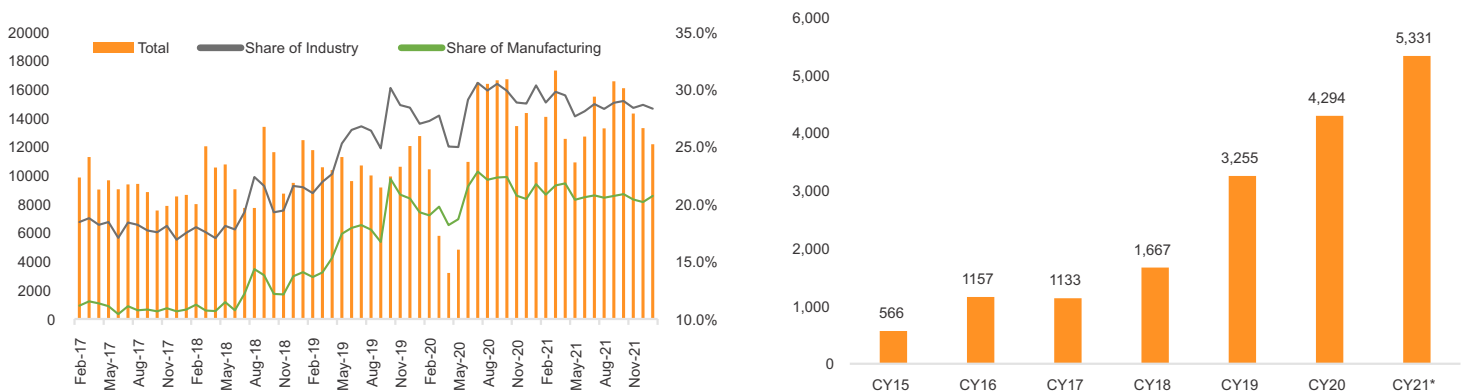
## Emkay New Vitalised India Strategy



### Resulting in buoyancy and adding capacities

#### Robust returns + CU = Confident manufacturing sector for putting new capacities

- As a result of robust returns, manufacturing companies adding capacities
- Registration of manufacturing companies has shot up to highest ever in last 7 years
- Share of manufacturing companies in total registrations of companies also at almost highest
- Number of Environmental Clearances sought and granted also at highest ever -10x of Fy15



### Sense of Déjà vu –2003-06

Source: Ministries, EIML \* upto Oct-21

- **Structural changes in 2018-21 reminiscent of lot of things that happened prior to 2003-06 boom**

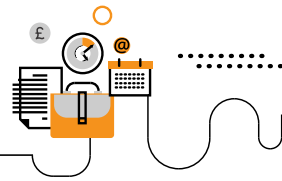
Viz. Corporate tax rate, clean up of balance sheets, declining cost of borrowing

- What ought to follow should also reflect period post 2002

	1996 -02	2003 -06	2018 -21	2022 -26
Corporate tax rate	38.5% to 35%	Stable	33% to 25%	Expected to remain stable
Cost of debt	Declining	Rose upto 8-10%	Declining	Expected to rise at moderate pace
Metal prices	Flat	24%	Flat to decline	Moderate rise after spike in CY21
Corporate balance sheet	Deleveraging	Releveraging	Deleveraging	Releveraging
Financial cos' balance sheet	Net NPA declining with rise in provisions supported by treasury gains	Continued to remain strong	Net NPA declining as the provision hit is taken on chin	Expected to remain strong
Government Capex growth	4%	23%	Grew in teens	Expected to grow robust until 2026
Growth in private GFCF	Negative	30%+	8%	Should rise
Corporate credit growth	12%	20%+	Single digit	Should rise
Growth in per capita GDP	8-9%	12%	4%	Should rise

Source: EIML





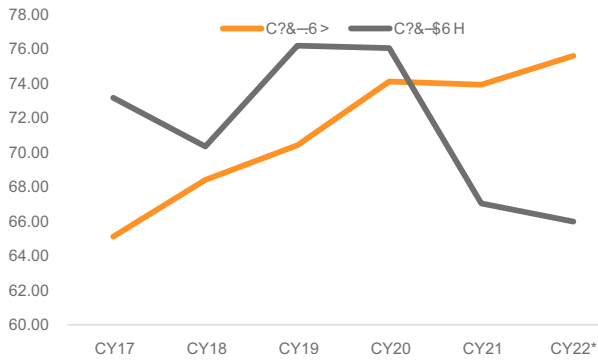
## Emkay New Vitalised India Strategy



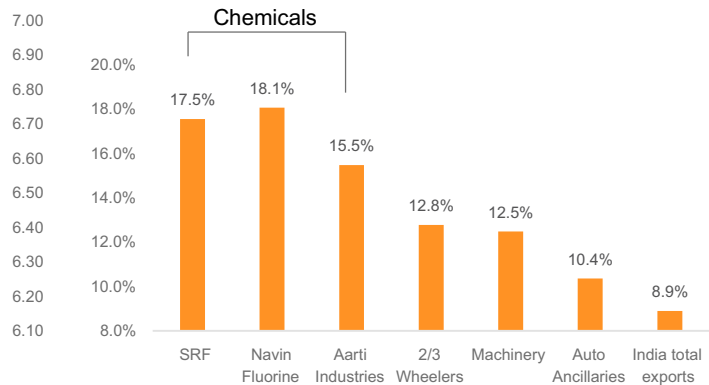
### China + 1 = Is it here to stay?

- **China facing significant push back**
  - Disruption in supply chain during COVID - goods as well as shipping
  - Developed nations have imposed anti dumping duty on lot of Chinese goods
- **INR depreciation vs Yuan making India more competitive**
- **Key beneficiaries**
  - Auto and Auto components, Textiles, Chemicals, capital goods

CNY has appreciated vs USD



Exports growth FY17-22

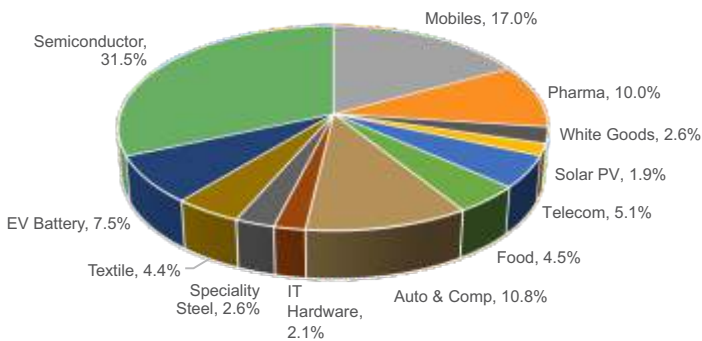


Source: Bloomberg, CMIE, Ace Equity

### Policy support from THE GOVERNMENT

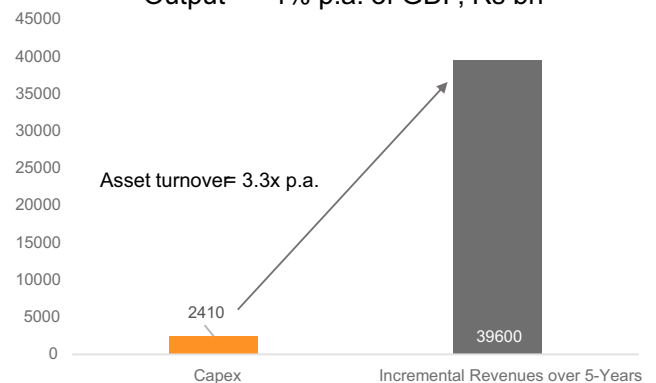
- Déjà vu to the days of supporting the services industry in early 2000s
- PLI scheme Rs2.4tn incentives over next 5 years
  - Lions share going to electronics, auto components, pharma
- Incremental capex going to less capex intensive sectors
- Potential to add ~4% of GDP p.a. in terms of incremental annual revenues

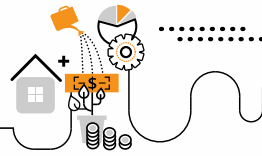
PLI Scheme incentives across industries



Source: Ministry Notifications, EIML

Output = ~4% p.a. of GDP, Rs bn

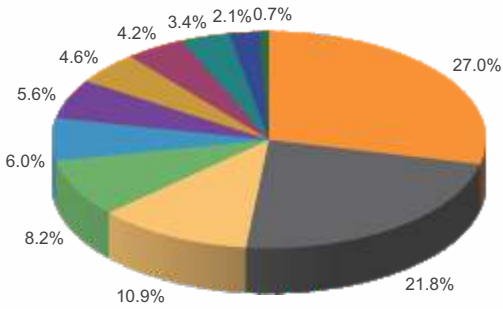




## Emkay Capital Builder



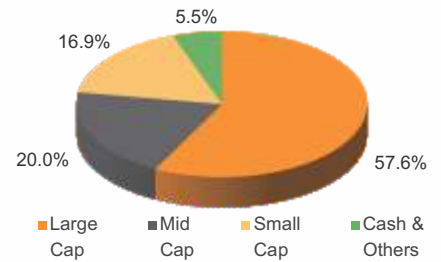
### Sectors



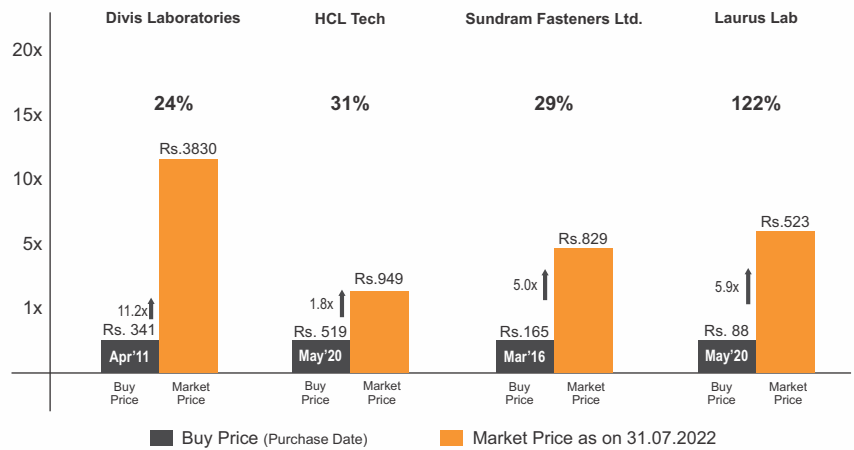
### Top 5 holdings

ICICI Bank Ltd.	13.8%
Divi's Laboratories Limited	11.8%
Sun Pharmaceutical Industries Ltd.	7.2%
Sundram Fasteners Ltd.	6.2%
Apar Industries Ltd	6.0%

### Market Capitalisation



### Stock-Picking Track Record



**Note:** The current portfolio holdings may or may not be a part of the future portfolio holdings.

Investors' Portfolio may vary from the Strategy Level Portfolio shown above in the Top Holdings.

(Above Portfolio details are as on 30.06.2022)

	3M	6M	1Y	3Y	Since Inception
Emkay Capital Builder (TWRR)	-2.5	2.4	5.3	16.6	14.9
Nifty 500	-0.8	-1.7	7.3	17.5	13.7
Outperformance	3.2	4.1	-2.0	-0.9	1.2

As on 31.07.2022

Inception Date

01-Apr-13



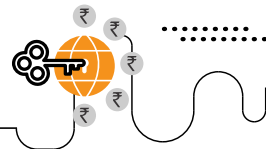
Total number of Stocks **20-25**

**MULTI CAP**

Average Marketcap

INR **1,92,084** Cr.

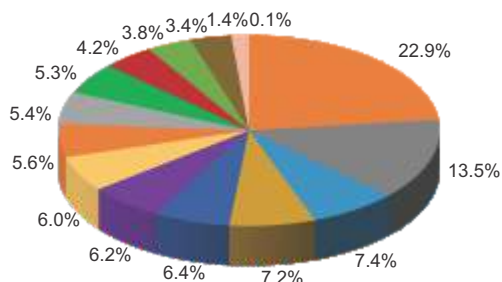




Emkay Pearls



## Sectors

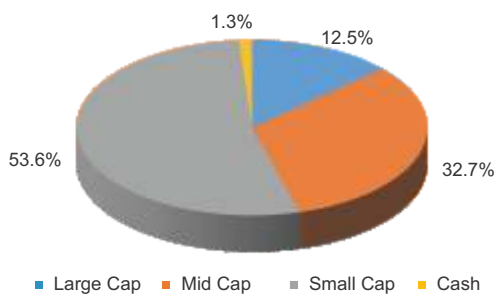


- Pharmaceuticals
- Auto & Auto-ancillary
- Capital Goods
- Quick Service Restaurant
- Glass & Glass Products
- Financial Services
- Healthcare
- Real Estate
- Logistics
- Consumer
- Discretionary Consumer
- Textiles
- Staffing
- Infrastructure
- E-Commerce

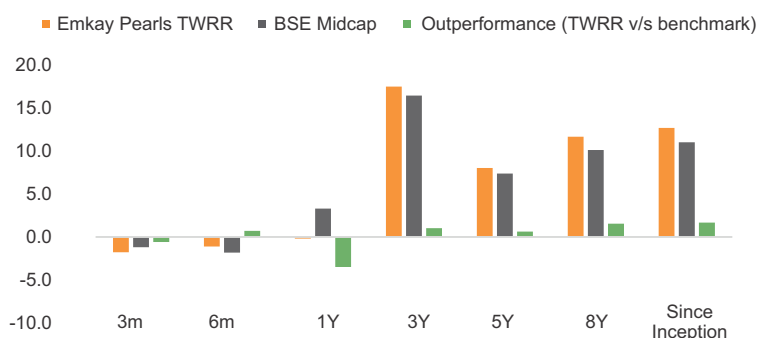
## Top 5 holdings

Divi's Laboratories Limited	12.5%
Sundram Fasteners Ltd.	9.5%
Apar Industries Ltd	7.4%
Devyani International Ltd	7.2%
Borosil Ltd	6.4%

## Market Capitalisation



## Performance Update



	3M	6M	1Y	3Y	5Y	8Y	Since Inception
Emkay Pearls TWRR	-2.2	-1.4	-0.2	22.1	10.2	14.7	16.1
BSE Midcap	-1.5	-2.3	4.2	20.8	9.3	12.8	13.9
Outperformance (TWRR v/s Benchmark)	-0.7	0.9	-4.4	1.3	0.8	2.0	2.1

Inception Date **24-Apr-2012**

As on 31th July 2022

Benchmark  
**BSE Midcap**

Total number of Stocks **15-20**

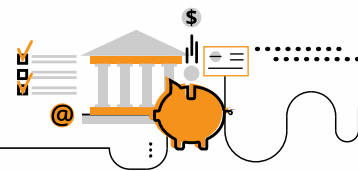
**MID CAP & SMALL CAP**

Average Marketcap

INR **16,813** Cr.







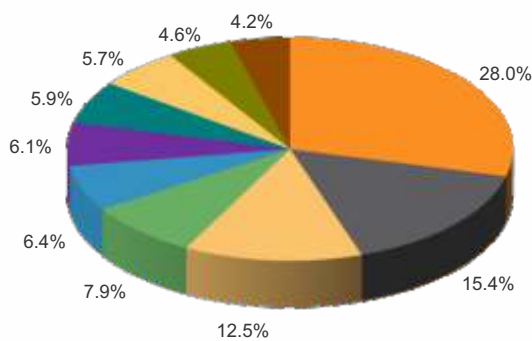
## Emkay L.E.A.D



### Investment Objective

The portfolio seeks to achieve long term capital appreciation by predominantly investing in large and mid cap high-growth companies with a leadership trait in the sector along with strong moat, quality management and reasonable valuations.

### Sector Allocation %



- Financial Services
- Oil & Gas
- Insurance
- Specialty Chemicals
- Pharma
- Alcoholic Beverages
- IT
- Ceramic Products
- Gems & Jewellery
- Abrasives

### Top 5 Holdings

Scrip Names	% Holdings
Bajaj Finance Limited	10.2%
Titan Company Limited	7.9%
Aarti Industries Limited	7.6%
Infosys Limited	7.5%
ICICI Bank Limited	7.3%

### Market Capitalization

Market Capitalization	% Equity
Large Cap	72.6%
Mid Cap	24.0%
Cash	3.2%

### Performance Update

	1M	3M	1Y	3Y	Since Inception
Emkay L.E.A.D. (Model Portfolio)	10.5	-1.5	3.9	15.0	12.9
Emkay L.E.A.D. (TWRR)	10.1	-2.0	1.7	11.9	9.9
Nifty 200	9.6	-0.4	8.2	16.6	13.5
Outperformance (Model v/s Benchmark)	0.9	-1.1	-4.3	-1.6	-0.5
Outperformance (TWRR v/s Benchmark)	0.4	-1.6	-6.6	-4.7	-3.5

Inception Date **17-Dec-18**

Total number of Stocks **15**

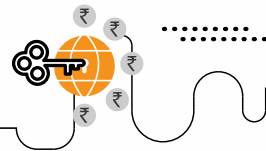
Benchmark **Nifty 200**

Average Marketcap  
INR **3,36,823 Cr.**

All data is as on 31.07.2022



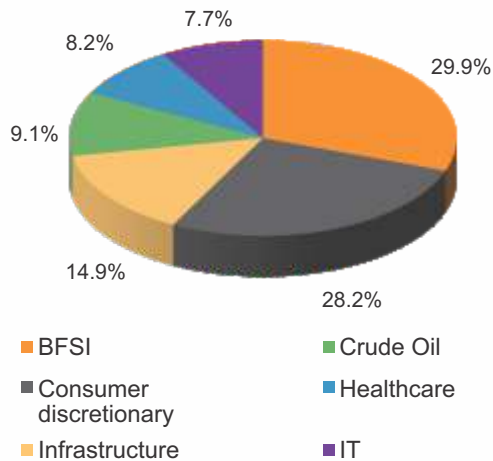




## Emkay's 12



### Sectors



### Top 5 holdings

Titan Company Limited	11.3%
ICICI Bank Ltd.	10.6%
Pidilite Industries Ltd.	9.4%
Reliance Industries Ltd.	9.1%
Ultratech Cement Ltd.	8.6%

### Features of Emkay's 12

- Focus on risk adjusted returns
- Portfolio of 12 structural growth cos
- Lower portfolio volatility and high liquidity
- Steady performance over medium term
- No wide diversification
- An alternative to large cap mutual funds
- Low portfolio turnover

### Performance Update

	1M	3M	6M	12M	Since Inception
Emkay'12 (Model Portfolio)	10.5	0.0	-1.2	6.3	16.3
Emkay'12 (TWRR)	10.6	-0.2	-2.6	3.9	13.1
Nifty	8.7	0.3	-1.0	8.9	16.1
Outperformance (Model v/s Nifty)	1.8	-0.4	-0.2	-2.5	0.3
Outperformance (TWRR v/s Nifty)	1.9	-0.5	-1.5	-5.0	-2.9

Above returns are TWRR returns    Inception date 1st August 2019.    Performance update as on 31.07.2022

**Inception Date** 01-Aug-2019



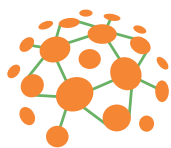
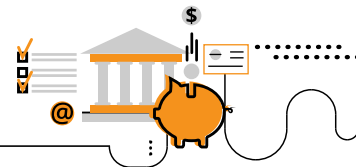
Total number of Stocks **12**



Average Marketcap INR **5,02,142** Cr.

All data is as on 31.07.2022

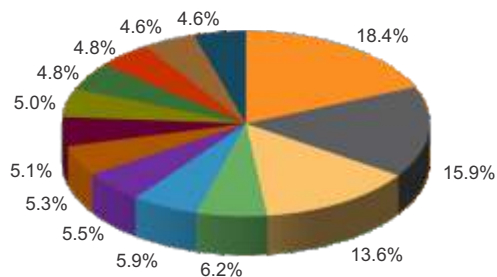




## Emkay GEMS



### Sectors



- Financial Services
- Auto & Auto Ancillary
- IT
- Capital Goods
- Consumer
- Ceramic Products
- Pharmaceuticals
- Agro-Chemicals
- Logistics
- Retail
- Quick Service Restaurant (QSR)
- Specialty Chemicals
- Plastic products

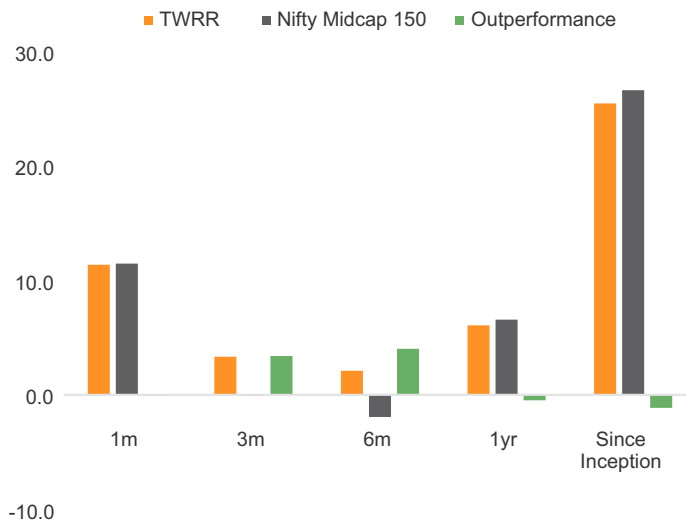
### Top 5 holdings

Schaeffler India Ltd	6.3%
ABB India Limited	6.2%
Varun Beverages Ltd	5.9%
Kajaria Ceramics Ltd	5.5%
Ajanta Pharma Ltd	5.3%

### Performance Update

	1m	3m	6m	1yr	Since Inception
Emkay GEMS (TWRR)	11.4	3.3	2.1	6.1	25.5
Nifty Midcap 150	11.5	-0.1	-1.9	6.6	26.6
Outperformance	-0.1	3.4	4.0	-0.5	-1.1

As on 31 July, 2022



Inception Date **03-Mar-2020**

Benchmark  
**Nifty Midcap 150**

Total number of  
**Stocks 20**

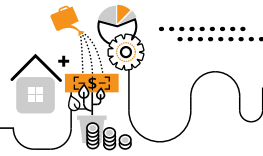
**MID CAP**

Average Marketcap

INR **31,085** Cr.

All data is as on 31.07.2022





Invest in



Emkay Duet

2 PMS portfolios within



Choose from any of the following three combinations of our portfolios, each giving you a **unique dual advantage**



Emkay Capital Builder

+



Emkay GEMS




Emkay L.E.A.D

+




Emkay Pearls

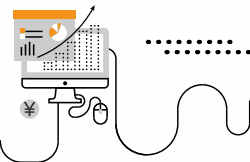


Emkay's 12

+



Emkay Pearls



**Emkay Investment Managers Ltd.** (EIML) is the asset Management arm of Emkay Global Financial Services Ltd. (EGFSL), a SEBI registered Portfolio Manager managing & advising investments for long-term (3-5 years+) investors consisting of Family Offices, HNIs, Corporate & NRIs, in Indian equities. Currently the team manages assets over INR 800 crores.

## OUR TEAM



**Krishna Kumar Karwa**  
MD - EGFSL  
Mentor - EIML



**Vikaas M Sachdeva**  
CEO - EIML



**Sachin Shah**  
Fund Manager - EIML



**Kashyap Javeri**  
Fund Manager - EIML

## PROFILE OF FUND MANAGERS

### Sachin Shah

Sachin is a seasoned fund manager with over two decades of experience in the Indian equity markets. By virtue of his extensive research, Sachin realised early-on the need for a framework in which companies with evasively tricky standing needed to be filtered out very objectively, leading to the development of E-Qual Model, EIML's proprietary module which helps us to evaluate and compare listed companies on various aspects of governance. Sachin shares his knowledge and insights through various media interactions across print and digital platforms.

### Kashyap Javeri

Kashyap Javeri is a fund manager with more than a decade of experience in company and sector research. He brings exceptional insights into stocks and economy. Prior to joining Emkay Investment Managers, he was a rated BFSI analyst in Emkay Institutional Equities for eight years and also worked with Sharekhan Ltd as midcap analyst. Kashyap brings with him immense in-depth knowledge on not only variety of manufacturing and services sectors but also on banking and economics.

**Emkay Investment Managers Limited** CIN : U67190MH2010PLC203819 | PMS: INP000004458

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