

# Investment Matters

February 2022



412-8079  
1-362-570-6859

## EQUITY OUTLOOK

# FY23 BUDGET: STIMULATING DURABLE GROWTH

The FY23 Union Budget continued the government's renewed focus on growth recovery that began last year. The preference for government capex over consumption stimuli was reinforced as the government stayed with its belief that this creates structural growth. The other notable feature was the conservative numbers, which we believe has multiple benefits.

We remain constructive on Indian equities and are increasingly confident on the growth recovery driving a sustained mid-teen market earnings growth over 2-3 years. Our key sector preferences are consumers, cyclicals (ex-commodities) and exporters, underpinned by our broad views on key macro indicators. We continue to focus on strong companies with market leadership and significant competitive advantage. Outside the new-age sectors, we prefer investing in companies with strong balance sheets, cash flows and strong-to-improving return ratios.

		Performance (%)			
Major Indian indices	Jan-22	1M	3M	6M	1Y
Sensex	58,014	-0.4%	-2.2%	10.3%	25.3%
Nifty	17,340	-0.1%	-1.9%	10.0%	27.2%
CNX-100	17,547	-0.4%	-1.9%	9.4%	27.7%
CNX-500	14,921	-0.5%	-1.1%	9.2%	32.0%
Mid-cap and Small-cap Indices					
BSE Mid cap	24,613	-1.4%	-2.6%	6.6%	36.1%
BSE Small cap	29,227	-0.8%	4.4%	9.1%	62.5%
CNX Mid cap	30,274	-0.6%	-0.6%	8.8%	44.8%
CNX Small cap	11,116	-1.5%	3.2%	5.6%	54.9%

Source: NSE, BSE

		Performance (%)			
NSE sector indices	Jan-22	1M	3M	6M	1Y
CNX Bank	37,975	7.0%	-2.9%	9.8%	24.2%
CNX Auto	11,704	7.0%	3.6%	16.5%	19.3%
CNX Realty	480	-0.8%	-3.7%	20.5%	57.1%
CNX Infrastructure	5,057	2.2%	0.2%	14.1%	37.7%
CNX Energy	24,984	10.4%	7.5%	32.0%	54.6%
CNX FMCG	36,467	-3.0%	-4.6%	1.2%	10.1%
CNX Pharma	13,180	-7.3%	-5.0%	-8.6%	8.3%
CNX IT	34,825	-10.0%	1.2%	14.3%	41.3%

Source: NSE, BSE

## EQUITY OUTLOOK

### Budget takeaways

#### Capex push

The government has accentuated its path of pushing public capex to stimulate the economy. Capital expenditure for FY23 is up 35.4% y/y (excluding Air India Recapitalisation in FY 22). Some of the components are one-off, but we are encouraged by the sharp increase in categories like road construction, which is achievable and has multiplier effects on growth. The capex push should kick off a virtuous cycle where we see a multi-year growth cycle for infrastructure and industrial companies, after a sustained period of struggle through the decade ending 2020

Growth in spend (y/y)	FY19	FY20	FY21	FY22RE	FY23BE
Overall capex	17%	9%	27%	42%	24%
Roads	36%	0%	31%	36%	55%
Railways	23%	28%	60%	7%	17%

Source: Union Budget Documents, Ambit Capital research.

*Note: Data refers to capex through budgetary support. If we include extra budgetary resources of public sector enterprises, total capex for FY23 is budgeted to rise by 13% YoY.*

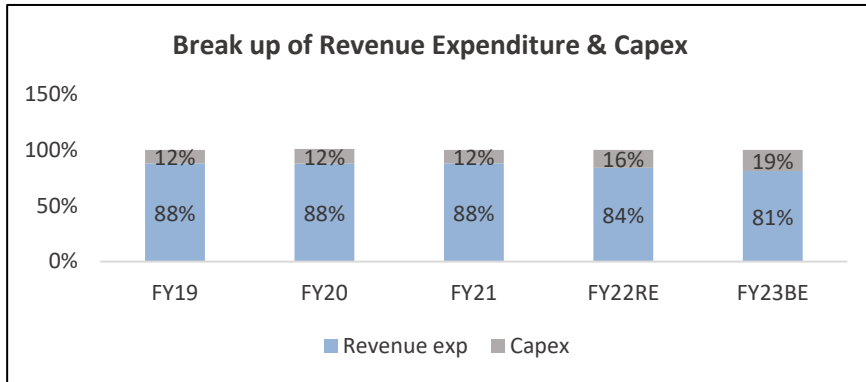
#### Shifting balance of expenditure

The lack of a direct consumption stimulus is notable. The uneven recovery in FY22, skewed towards higher-income segments, had driven expectations that such a measure was forthcoming. We do not see this as an issue for multiple reasons:

- There is an indirect stimulus via the increased spending on roads and railways. These are labour-intensive sectors that create large employment opportunities for lower-income segments.
- The extension of the ECLGS\* scheme should help SMEs get back on their feet in FY23. This should help in transmission of growth to a broader base than what we saw in FY22.
- Outside the budget, the real estate sector is recovering across the country. This, again, is an important sector for low-friction absorption of excess labour throughout the country.
- The recent wave of the Omicron variant of Covid-19 created minimal disruptions to normal life. If the pandemic does, indeed, peter out, the lack of lockdowns should also help in reducing the stress on lower-income segments. \* *Emergency Credit-linked Guarantee Scheme*

We believe that the capex push is the optimum usage of the four-year window of higher fiscal deficit, as it creates more durable growth than direct consumption stimuli.

## EQUITY OUTLOOK



Source: Union Budget Documents

### Conservative budgeting

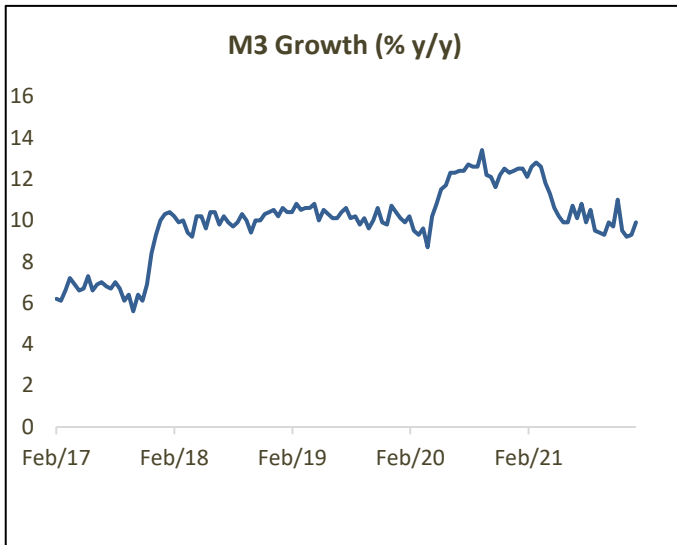
The government has stuck to its fiscal consolidation path of reducing the deficit by 50bp in FY23. More importantly, the numbers are conservative on multiple fronts – GDP growth assumptions, tax buoyancy and disinvestment assumptions. The obvious benefit of this is that it increases the credibility of the exercise, an area in which India has decades of spotty performance. The other positive is that it eases pressure on the government machinery – optimistic targets lead to second-order issues like overzealous tax collection efforts, aggressive push for disinvestments, and so on. It is likely that the final deficit will undershoot by 8 to 10%, but that is a cushion that gives the government breathing space.

### Bond market stress

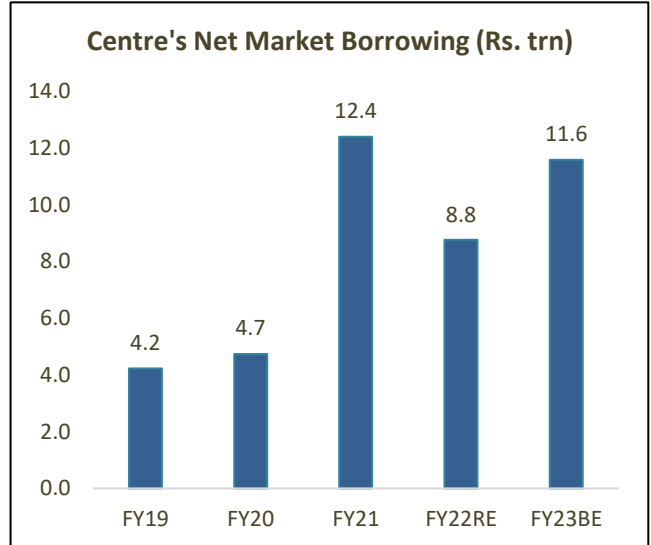
The bond market did not take the numbers well, with an ~20bp spike in bond yields since 31-Jan-22. We think the stress in the market should persist for some months as the market is squeezed from both ends.

- Supply is being constrained as M3 growth starts to normalise on the back of the RBI withdrawing stimulus and, possibly, challenges to foreign capital inflows on the back of the Fed tightening. Moreover, the RBI's ability to conduct open market operations will be constrained by the need to tighten policy.
- This is being met by a sharp spike in demand – the borrowing calendar for 1HFY23 will be based on the budgeted amount and not capture the possible upsides to government revenue.

## EQUITY OUTLOOK



Source: Bloomberg



Source: Union Budget Documents, RBI, Ambit Capital Research

## Economic outlook

**Growth:** We see a multi-year period of growth, propelled by the virtuous cycle kicked off by the post-pandemic stimuli. The next 3-5 years should see multiple engines of growth firing simultaneously. Capex should get kicked off by the government's push starting FY22. Consumption is likely to accelerate as the growth becomes more broad-based from FY23. Exports are back after a long hiatus, helped by global growth, diversification of global supply chains and the government's fiscal support to select industries.

**Fiscal deficit:** We see steady fiscal consolidation from FY23 onwards. India's fiscal deficit is counter-cyclical with high growth as revenue buoyancy kicks in and spending is relatively inelastic. The government is likely to comfortably meet the FY26 target of 4.5% if growth remains elevated.

**Interest rates:** Stress on long-term bond yields should start to taper from late CY22 as growth kicks in and revenues overshoot budget estimates. On the other hand, short-term yields should continue their upward journey as the RBI moves towards a less accommodative monetary policy. We do not see higher interest rates as a challenge to growth – they will still be moderate compared to history and other demand drivers like capex and exports will continue to be in play.

## EQUITY OUTLOOK

**Currency:** The rupee should largely remain stable (against USD) through the next 2-3 years. The Fed tightening is a threat, but that should be offset by high growth, strong equity markets and some tightening from the RBI. Currency market collapses are often co-incidental with equity market stress in India – so this is a variable that we will continue to track closely.

**Inflation:** We have probably seen the worst of inflation. Global commodity inflation should cool off (even if prices go up) on a higher base and global monetary tightening. Supply-side challenges should also improve through the next 3-4 quarters as the impact of Covid-19 wanes throughout the world. We do not see a return to the 2019 levels of 2-3% but it should remain within the RBI's tolerance band of 4-6%.

**Seshadri Sen**  
Head of Research  
Alchemy Capital Management Pvt. Ltd

**Source:**  
*Alchemy Research*

## MARKET INSIGHTS

Alchemy view on Market trends, analysis, and way forward; with additional inputs from industry experts about the different aspects to superlative asset management.

**1. Market Views :** [Market Views - Jan 2022 - YouTube](#)

**2. Blog :** 2022: Strong Year For Equities [Read More](#)

### **3. Interviews :**

- Mr. Hiren Ved in an interaction with ET Now Swadesh: [Watch the video](#)
- Mr. Hiren Ved in an interaction with CNBC-TV18: [Watch the video](#)
- Mr. Hiren Ved in an interaction with CNBC Awaaz: [Watch the video](#)
- Mr. Hiren Ved in an interaction with The Week: [Read the article](#)
- Mr. Hiren Ved in an interaction with Mint: [Read the article](#)
- Mr. Hiren Ved in an interaction with Multiple: [Watch the video](#)

Hyperlinks to other websites made available here are to be accessed at the sole risk of the user; the content, accuracy, opinions expressed, and other links provided by these resources are not investigated, verified, monitored, or endorsed by Alchemy.

## Q3 FY22 Performance of Portfolio Companies

The following table summarizes the performance of portfolio companies\*\* for Q3 FY22 :

Stock	Sales ( Rs Mn)			EBITDA ( Rs Mn)			PAT ( Rs Mn)		
	Q3FY22	Q3FY21	% chg	Q3FY22	Q3FY21	% chg	Q3FY22	Q3FY21	% chg
ANGEL ONE	4,448	2,221	100%	2,257	1,095	106%	1,647	784	110%
AVENUE SUPERMARTS	92,178	75,420	22%	8,665	6,891	26%	5,525	4,470	24%
BAJAJ AUTO	90,217	89,099	1%	13,721	17,296	-21%	12,142	15,563	-22%
BAJAJ FINANCE	60,005	42,958	40%	39,192	29,062	35%	21,253	11,460	85%
BLUE DART EXPRESS	15,062	11,239	34%	906	816	11%	476	367	30%
DEEPAK NITRITE	17,223	12,347	39%	3,519	3,350	5%	2,425	2,166	12%
DIXON TECHNOLOGIES (INDIA)	30,732	21,828	41%	1,030	1,005	2%	463	616	-25%
GLAND PHARMA	10,633	8,594	24%	3,489	2,642	32%	2,730	2,041	34%
ICICI BANK #	1,22,360	99,125	23%	1,01,483	88,198	15%	81,410	60,780	34%
INDIAMART INTERMESH	1,881	1,736	8%	788	878	-10%	702	802	-12%
INDIAN HOTELS COMPANY	11,112	5,599	98%	3,218	-167	NA	1,236	-1,399	NA
INFO EDGE (INDIA)	4,033	2,723	48%	1,121	682	64%	3,291	699	371%
L&T TECHNOLOGY SERVICES	16,875	14,007	20%	3,675	2,756	33%	2,488	1,861	34%
LARSEN & TOUBRO INFOTECH	41,376	31,528	31%	8,311	7,320	14%	6,125	5,192	18%
P I INDUSTRIES	13,563	11,621	17%	2,965	2,755	8%	2,223	1,954	14%
PIDILITE INDUSTRIES	28,507	22,990	24%	5,490	6,408	-14%	3,555	4,449	-20%
PRAJ INDUSTRIES	5,324	2,602	105%	462	160	189%	334	113	196%
RELIANCE INDUSTRIES	18,50,270	11,78,600	57%	2,97,060	2,15,660	38%	1,62,428	1,32,213	23%
SYNGENE INTERNATIONAL	6,414	5,845	10%	2,034	1,762	15%	1,040	1,022	2%
TATA CONSULTANCY SERVICES	4,88,850	4,20,150	16%	1,33,006	1,22,080	9%	98,060	87,270	12%
TATA CONSUMER PRODUCTS	32,084	30,696	5%	4,617	3,613	28%	2,748	2,231	23%
TATA ELXSI	6,350	4,770	33%	1,970	1,330	48%	1,510	1,050	44%
TATA MOTORS	7,22,293	7,56,538	-5%	67,642	1,15,096	-41%	-15,161	29,065	NA
TATA STEEL	6,07,831	3,95,941	54%	1,58,938	94,636	68%	95,727	37,001	159%
TITAN COMPANY	93,250	73,240	27%	13,990	8,580	63%	9,870	4,190	136%
UNITED SPIRITS	28,847	24,887	16%	4,907	3,838	28%	2,911	2,299	27%
VARUN BEVERAGES *	17,343	13,309	30%	2,076	1,722	21%	165	-197	NA
V-MART RETAIL	3,380	1,755	93%	206	-3	NA	-141	-190	NA
HDFC LIFE INSURANCE COMPANY @	25,970	21,570	20%	6,940	5,700	22%	2,759	2,670	3%
VIP INDUSTRIES	3,973	2,325	71%	572	92	522%	335	-70	NA
MPHASIS	31,237	24,743	26%	5,530	4,654	19%	3,575	3,255	10%
KDDL	2,581	1,782	45%	382	266	44%	137	78	76%
BAJAJ FINSERV	1,76,196	1,59,607	10%	1,75,867	1,59,585	10%	12,558	12,900	-3%

\* indicates CY end - So Q3 FY22 = Q4 CY21

# indicates Net Interest Income + Other income, Pre-Provision Operating Profit and PAT for banks

@ Indicates Annual Premium Equivalent (APE) and Value of New Business (VNB) for life insurance companies

\*\* For Alchemy High Growth, Alchemy High Growth Select Stock & Alchemy Leaders Portfolios



## PMS PRODUCTS

### Alchemy High Growth (AHG)\*

**Fund Manager: Mr. Amit Nadekar**

A Chartered Accountant by profession, Mr. Amit Nadekar has worked across equity research, corporate strategy, taxation and audit over the last one and a half decades. He started his career on the sell side, tracking the US banking & financial sector; later moving on to the corporate side as a part of the Corporate Strategy team at Raymond. He has been a part of the Alchemy investment team since 2005.

**Investment Objective\*:** To generate long-term returns by investing in equities and equity related instruments, across all market capitalizations with a mid cap bias.

**Philosophy & Strategy\*:** Alchemy Investment Philosophy is “Growth at Reasonable Price”. The philosophy behind growth investing is based on the fact that India is a high growth economy with a strong entrepreneurial culture. Our endeavour is to identify and invest in growth companies through a combination of top-down and bottoms up fundamental research to enable long term wealth creation

**Description of types of securities :** Equity

**Investment horizon :** 3 to 5 Years

**Risk associated with Investment approach^^ :** High Risk

**Allocation of Portfolio across types of securities :** Upto 100% in equity (cash portion may be deployed in liquid funds/ debt securities). The Portfolio allocation across market caps is also given below.

**Portfolio Construct:** A typical portfolio may generally consist maximum of 25 stocks. Indicative portfolio construct could be as follows:

Market Capitalisation	Portfolio Construct	Market Capitalisation Definition ^
Large Cap	25-100%	Market capitalization of 100 <sup>th</sup> stock is the cut off for large cap
Mid Cap	0-75%	Market capitalization between 101 <sup>st</sup> and 250 <sup>th</sup> stock is the cut off for Mid cap
Small cap	0-20%	Market capitalization below 250 <sup>th</sup> stock

^ Note: Market capitalization cut off will be taken from <https://www.amfiindia.com/research-information/other-data/categorization-of-stocks>.

\*AHG is one of the product / investment approach of Alchemy Capital’s Portfolio Management Services. The investment objectives, strategy and allocation are indicative and there are no assurances that it will be achieved. Investors are advised to take independent tax, legal, risk, financial and other professional advice. ^^ All product/ investment approach attract various kinds of risks. Please read the relevant Disclosure Document/ Client Agreement carefully before investing.

## PMS PRODUCTS

### Alchemy High Growth (AHG)

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#### Basis of selection of types of securities as part of the investment approach

1. *Tracking Universe* – We have identified a tracking universe of about 400-425 companies based on market capitalisation (above 4000 crores preferably), qualitative governance filters, long term attractiveness and ROE profile of business amongst other parameters.
2. *Investible Universe* - From this tracking universe, an investible universe of companies is created based on assessment of past and future fundamental variables like revenue and EBIDTA growth, cashflow conversion efficiency and core ROE of the business amongst several other relevant variables which may be unique to a business. In addition to objective fundamental parameters and assessment of qualitative management capabilities, governance standards and competitive ability of the business is also carried out. A comprehensive valuation exercise is also carried out based on one and/or combination of valuation parameters like P/E, P/B, EV/EBIDTA, DCF etc to arrive at an acceptable valuation range for investing in the security.
3. *Portfolio Construction* – The Portfolio Manager managing the strategy is then free to construct the Clients Portfolio from within the investible universe at his discretion.

Benchmark : S&P BSE 500

Basis for choice of benchmark : S&P BSE 500 index serves as a comprehensive representation of the Indian economy, covering all 20 major sectors in the country. The index comprises of the top 500 companies listed on the Bombay Stock Exchange, with selection based on a combination of average float-adjusted market capitalization, average value traded, and average total market capitalization. Hence, we believe S&P BSE 500 is the appropriate benchmark which would reflect the realistic comparison with the Portfolio performance.

## PORTFOLIO ACTION

### Alchemy High Growth (AHG)

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#### Portfolio Action:

#### VIP Industries (VIP) : Entry

VIP Industries is one of the largest luggage company in India with 5 key brands and ~45% market share as of Dec 2021. Company straddles the entire price range from mass to premium. VIP has also entered the backpack and ladies handbags segment. Luggage industry growth is highly co-related to air travel which is growing in India. Further, share of unorganized in luggage segment is decreasing as they suffer due to China related supply side issues. Luggage industry is attractive with three organized players controlling 80% + of the organized segment enjoying strong metrics on cash generation, ROCE and cash position. As Covid wave recedes, we expect travel to pick up driving luggage growth for the company. Overall, revenue recovery coupled with trimmed cost structures should help the stock perform well.

**Key Risks:** Prolonged Covid related lockdowns, increased aggression from organized competitors, raw material price increases.

#### Mphasis : Entry

Mphasis has transplanted success of a few large accounts to a wider client base. The secret sauce to achieving this is customer centricity with emphasis on offering personalized services to clients using a hi-tech, hi-touch and hi-trust engagement model. Further putting the right profile of account champions into new high potential clients is extremely important. Given that Mphasis had a few large accounts in the system, the knowledge of best account management practices existed. The company seems to have progressed on institutionalization of the practices either through expanded responsibilities for existing account champions or new hires that have such skills. Further it also seems there is some level of complacency among incumbents that have allowed challengers such as Mphasis to capitalize on it. We understand that Mphasis now work with all top ten large banks ranked by asset size in the US, up from five 3 years back. Each large client can be a multi-million-dollar opportunity, if mined well. Finally, strong spending in the banking vertical and compressed timelines for transformation allows for elevated growth rates.

Mphasis has a play in all major technology mega trends- (1) enterprise cloud migration, (2) next gen data, (3) core modernization and (4) customer experience. These trends are well captured by the company's unique tribes and squads model.

**Key Risks:** Mphasis, like peers, has a challenge on hand to defend margins against the backdrop of war for talent, muted campus positioning and likely increase in discretionary costs.

## PORTFOLIO ACTION

### Alchemy High Growth (AHG)

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#### **Just Dial ( JD) : Entry**

Just Dial is one of the largest online classified in India with more than 30 million listings across several categories. Its strong brand equity can be seen from the fact that more than 50 crores of unique visitors use Just Dial annually as of Jan 2022. Despite having large listings and high mind share, revenue growth of Just Dial was declining in the past many years due to the disruption from Google. Just Dial failed to invest in expanding its business vertically (by adding transaction layer) and suffered market share loss from category specific players like Urban Company, Bookmyshow, Practo, Zomato etc.

Recently, Reliance Retail acquired 67% equity stake in Just Dial for Rs 5700 crores including primary infusion of Rs 2150 crores. Reliance would like to leverage the 30 mn listings on JD to become pan-India aggregator of small merchants selling products & services to consumers. JD has announced launch of JD Mart (B2B classifieds), JD Shopping (B2C marketplace), JD Xperts (B2C for services) and JD Real Estate in the last few months. JD is looking to aggressively invest in technology, people and support infrastructure (payments, logistics, supply chain) before launch of these portals.

We believe JD is in a strong position to leverage on its strengths to expand its product proposition and value addition to its customers. The cash of Rs 4500 crores on books as of Jan 2022 out of total market cap of Rs 8000 crores not only provides margin of safety but ammunition for the next few years.

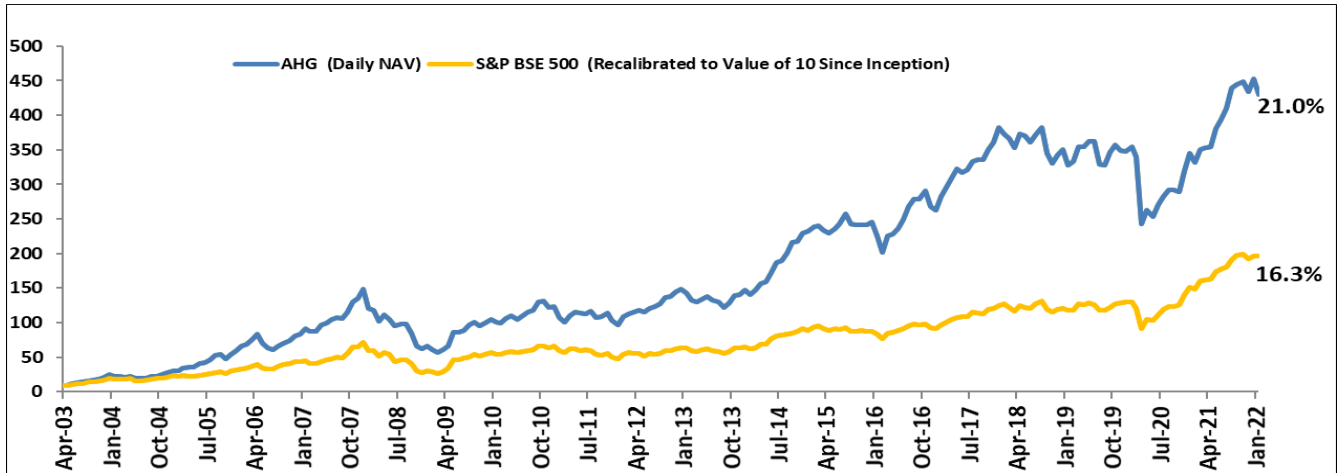
**Key Risks:** Lower than expected quality of new portals, aggressive spending by Google in tier2/3 cities and low interest from Reliance in developing Just Dial brand.

#### **Oracle Financial Services Software Ltd (OFSS) : Exit**

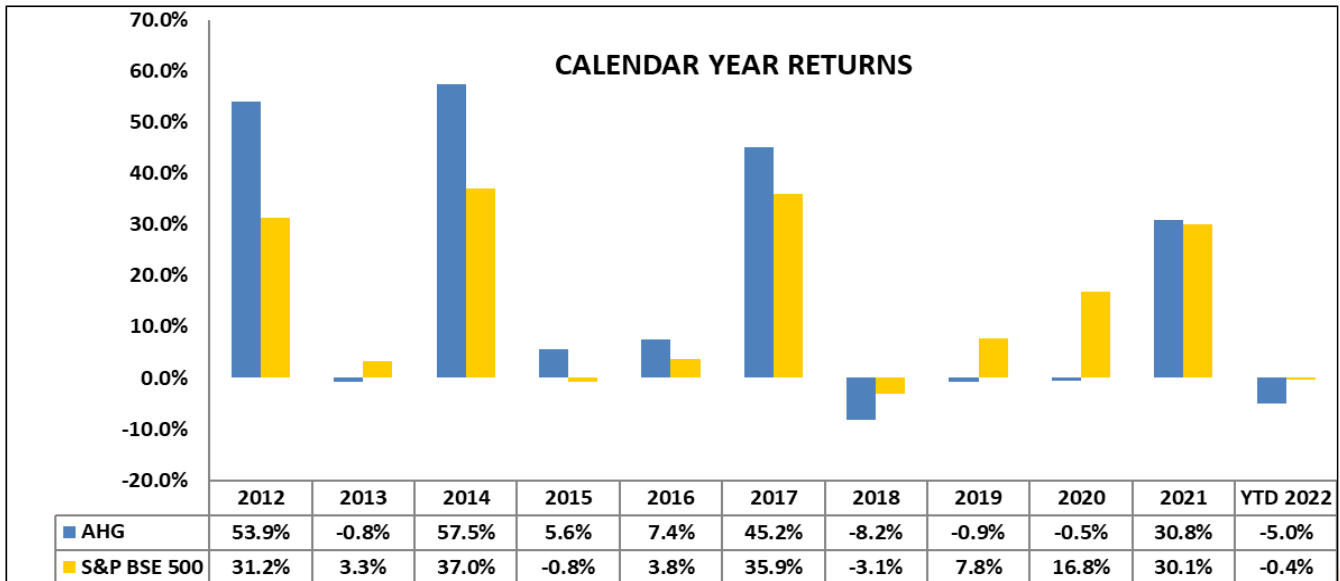
OFSS revenue growth of 2.3% in Q3FY22 was weak. During Q3 OFSS signed New Licenses worth US\$15.6mn (down 18% YoY). Q3 FY 22 performance on the revenue front has been disappointing despite some pick up in new license signings in the last 9 months. Global leadership in underpenetrated Core Banking Software (CBS) business, unmatched access, superior technology, integrated & reliable offering would ensure that OFSS emerge as most preferred vendor in the space. However, it is very difficult to predict whether the revenue trajectory would improve in the near term over the next couple of quarters. Hence, we decided to exit.

## PRODUCT PERFORMANCE

### Alchemy High Growth (AHG)



Returns shown in above graph are CAGR .



Returns shown in above graph are absolute returns.

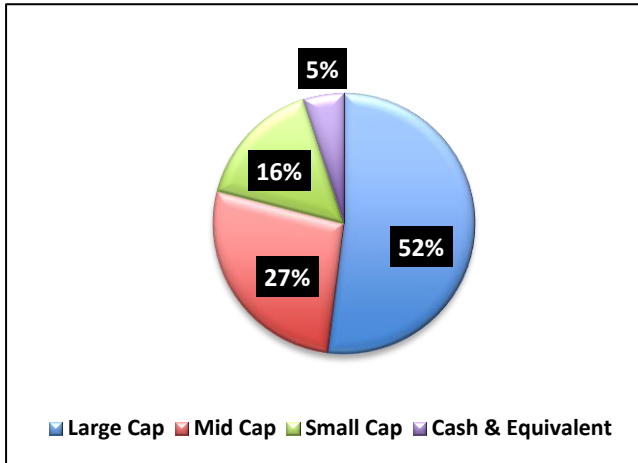
Data as on Jan 31, 2022. Inception Date: 8-May-2002

- **Performance related information provided herein is not verified by SEBI**
- Returns are net of fees, expenses & taxes (if applicable).
- Returns less than 365 days: Absolute, greater than 365 days: CAGR (Computed using TWRR method).
- Past Performance is not indicative of future performance.
- The above performance figures are aggregate of all discretionary clients; the investor's actual portfolio may differ.

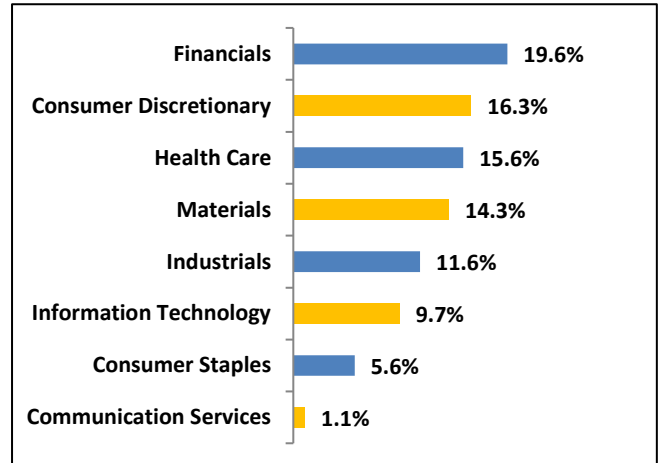
## PRODUCT PERFORMANCE

### Alchemy High Growth (AHG)

MARKET CAP ALLOCATION\*



GICS SECTOR ALLOCATION (%) †



PERIODIC RETURNS #

Period	Alchemy High Growth	Benchmark S&P BSE 500
6 Months	4.8%	9.0%
1 Year	29.6%	31.9%
2 Years	10.2%	23.1%
3 Years	9.4%	18.4%
5 Years	8.7%	15.2%
7 Years	8.7%	11.1%
10 Years	14.7%	13.7%
Since Inception <sup>^</sup>	21.0%	16.3%

RATIO ANALYSIS

Parameter	Alchemy High Growth (Since Inception)	Benchmark (Since Inception)
Std. Dev.	18.4%	21.7%
Sharpe	0.7	0.4
Beta	0.8	1.0

<sup>^</sup> Inception Date: 8-May-2002

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\*Source : AMFI

† Source : Bloomberg

Data as on Jan 31, 2022

## PMS PRODUCTS

### Alchemy High Growth Select Stock (AHGSS)\*

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#### Fund Manager: Mr. Hiren Ved

Mr. Hiren Ved is the Co-founder, Director, CEO and CIO at Alchemy Capital Management. He started his equity market career in 1991 and worked on both sell side and buy side research roles for the first nine years of his career, before joining Alchemy to spearhead the firm's Asset management business in the year 2000. Hiren has deep knowledge across sectors and is known for his bottom-up research and stock picking skills. He has built a long-term track record of generating significant alpha over the last 19+ years. Managing / advising funds over USD 1 billion (as on 31 Dec 2021) across domestic and offshore mandates for Alchemy.

**Investment Objective\*:** To generate long-term returns by investing in equities and equity related instruments, across all market capitalizations with a mid cap bias

**Philosophy\*:** The philosophy behind growth investing is based on the fact that India is a high growth economy with a strong entrepreneurial culture. Our endeavour is to identify and invest in growth companies through a combination of top-down and bottom up fundamental research to enable long term wealth creation. A typical portfolio may generally consist of between 8-12 stocks. We may construct such concentrated portfolios as per the Clients need and understanding

**Strategy\* :** Invest in companies across the market capitalization range, which have high growth potential and potential to deliver long-term capital appreciation

**Description of types of securities :** Equity

**Investment horizon :** 3 to 5 Years

**Risk associated with Investment approach^^ :** High Risk

**Allocation of Portfolio across types of securities :**

Upto 100% in equity (cash portion may be deployed in liquid funds/ debt securities).

**Allocation across Market Cap :**

Since portfolio is concentrated, focus is more on stock selection than on market cap allocation

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3. *Portfolio Construction* – the Portfolio Manager managing the strategy is then free to construct the Clients Portfolio from within the investible universe at his discretion.

**Benchmark :** S&P BSE 500

**Basis for choice of benchmark :** S&P BSE 500 index serves as a comprehensive representation of the Indian economy, covering all 20 major sectors in the country. The index comprises of the top 500 companies listed on the Bombay Stock Exchange, with selection based on a combination of average float-adjusted market capitalization, average value traded, and average total market capitalization. Hence, we believe S&P BSE 500 is the appropriate benchmark which would reflect the realistic comparison with the Portfolio performance.

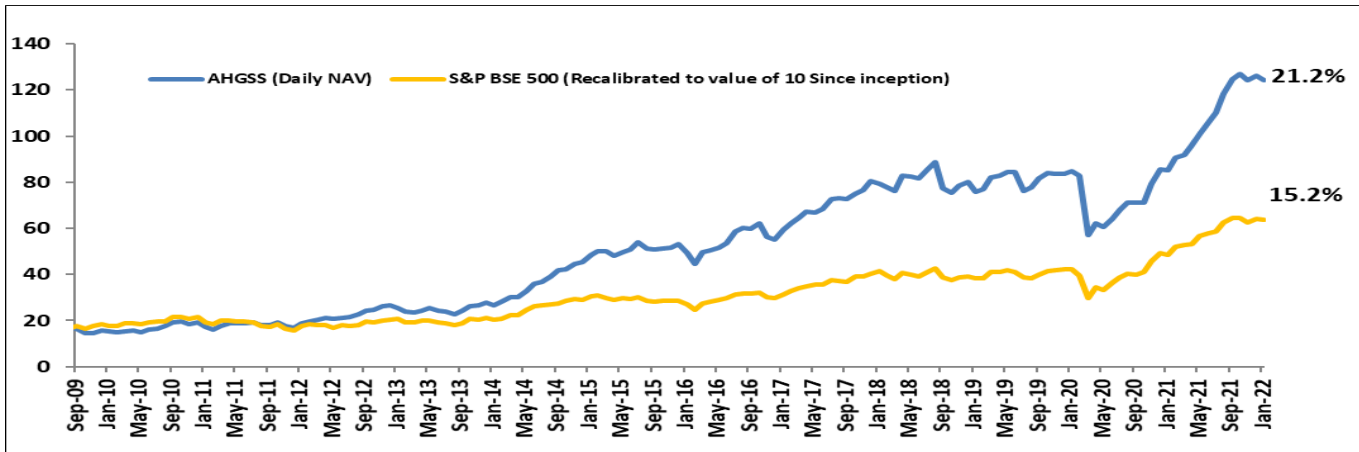
#### Portfolio Action:

There was no significant portfolio action in the month of Jan 2022

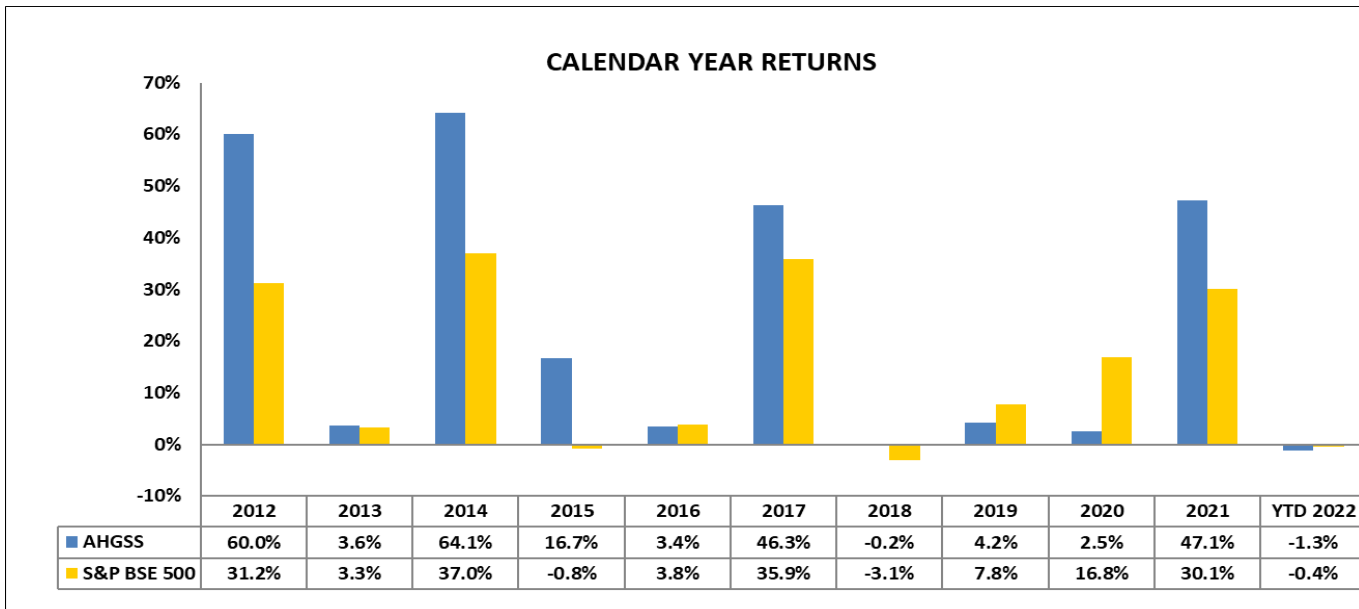


## PRODUCT PERFORMANCE

### Alchemy High Growth Select Stock (AHGSS)



Returns shown in above graph are CAGR .



Returns shown in above graph are absolute returns.

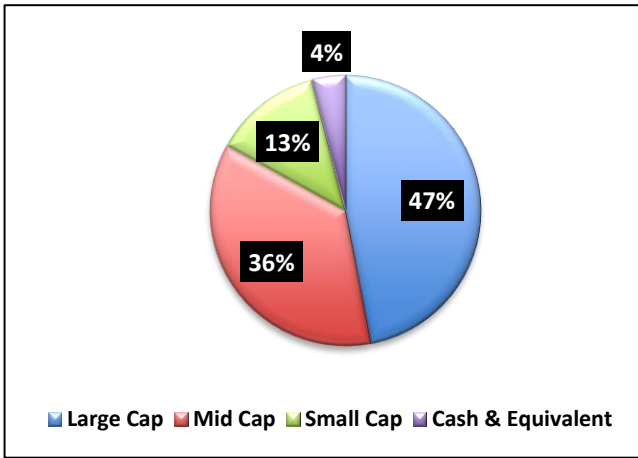
Data as on Jan 31, 2022. Inception Date: 19-Dec-2008

- **Performance related information provided herein is not verified by SEBI**
- Returns are net of fees, expenses & taxes (if applicable).
- Returns less than 365 days: Absolute, greater than 365 days: CAGR (Computed using TWRR method).
- Past Performance is not indicative of future performance.
- The above performance figures are aggregate of all discretionary clients; the investor's actual portfolio may differ.

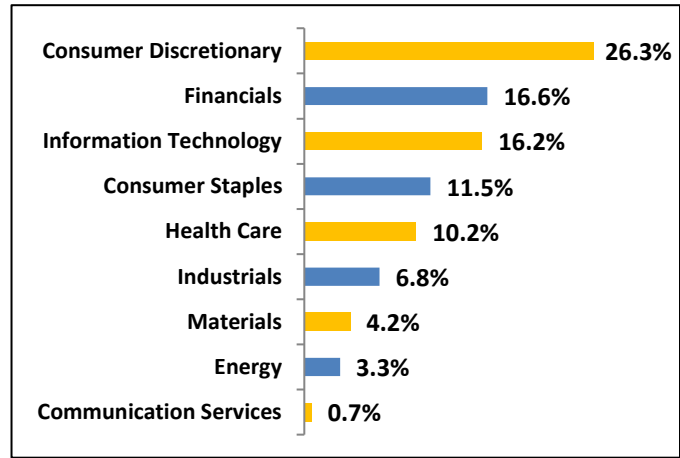
## PRODUCT PERFORMANCE

### Alchemy High Growth Select Stock (AHGSS)

MARKET CAP ALLOCATION\*



GICS SECTOR ALLOCATION (%) †



PERIODIC RETURNS #

Period	Alchemy High Growth Select Stock	Benchmark S&P BSE 500
6 Months	12.8%	9.0%
1 Year	46.2%	31.9%
2 Years	21.2%	23.1%
3 Years	17.9%	18.4%
5 Years	16.0%	15.2%
7 Years	14.5%	11.1%
10 Years	20.8%	13.7%
Since Inception <sup>^</sup>	21.2%	15.2%

<sup>^</sup> Inception Date : 19-Dec-2008

RATIO ANALYSIS

Parameter	Alchemy High Growth Select Stock (Since Inception)	Benchmark (Since Inception)
Std. Dev.	15.9%	18.5%
Sharpe	0.7	0.4
Beta	0.8	1.0

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# The above performance figures are aggregate of all discretionary clients; the investor's actual portfolio may differ.

\*Source : AMFI

† Source : Bloomberg

Data as on Jan 31, 2022

## PMS PRODUCTS

### Alchemy Leaders\*

#### Fund Manager: Mr. Hiren Ved

Mr. Hiren Ved is the Co-founder, Director, CEO and CIO at Alchemy Capital Management. He started his equity market career in 1991 and worked on both sell side and buy side research roles for the first nine years of his career, before joining Alchemy to spearhead the firms Asset management business in the year 2000. Hiren has deep knowledge across sectors and is known for his bottom-up research and stock picking skills. He has built a long-term track record of generating significant alpha over the last 19+ years. Managing / advising funds over USD 1 billion (as on 31 Dec 2021) across domestic and offshore mandates for Alchemy.

Investment Objective:\* To generate long-term returns by investing in Large-cap equities.

Philosophy & Strategy:\* The philosophy behind this strategy is to invest in growth companies, which have achieved scale and have reached or have potential to be amongst the leaders in their field/industry segments. Typically, these companies would have experience of operating through good-bad business cycles. Our extensive top-down and bottom-up approach helps build a portfolio of high conviction ideas to deliver steady returns.

Description of types of securities : Equity

Investment horizon : 3 to 5 Years

Risk associated with Investment approach^^ : High Risk

Allocation of Portfolio across types of securities : Upto 100% in equity (cash portion may be deployed in liquid funds/ debt securities). The Portfolio allocation across market caps is also given below.

Portfolio Construct: A typical portfolio may generally consist of between 12-15 stocks. Indicative portfolio construct could be as follows:

Market Capitalisation	Portfolio Construct	Market Capitalisation Definition^
Large Cap	85-100%	Market capitalization of 100th stock is the cut off for large cap
Mid Cap	0-15%	Market capitalization between 101 <sup>st</sup> and 250 <sup>th</sup> stock is the cut off for Mid cap
Small cap	Nil	Market capitalization below 250 <sup>th</sup> stock

^ Note: Market capitalization cut off will be taken from <https://www.amfiindia.com/researchinformation/other-data/categorization-ofstocks>

\*Alchemy Leaders is one of the product / investment approach of Alchemy Capital's Portfolio Management Services. The investment objectives, strategy and allocation are indicative and there are no assurances that it will be achieved. Investors are advised to take independent tax, legal, risk, financial and other professional advice. ^^ All product/ investment approach attract various kinds of risks. Please read the relevant Disclosure Document/ Client Agreement carefully before investing.

## PMS PRODUCTS

### Alchemy Leaders

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#### Basis of selection of types of securities as part of the investment approach

1. Tracking Universe – Tracking universe primarily comprises of companies which are classified as Large Cap by market capitalisation, the definition of which is equivalent to market cap of 100th stock in BSE500.
2. Investible Universe - From this tracking universe, an investible universe of companies is created based on assessment of past and future fundamental variables like revenue and EBIDTA growth, cashflow conversion efficiency and core ROE of the business amongst several other relevant variables which may be unique to a business. In addition to objective fundamental parameters and assessment of qualitative management capabilities, governance standards and competitive ability of the business is also carried out. A comprehensive valuation exercise is also carried out based on one and/or combination of valuation parameters like P/E, P/B, EV/EBIDTA, DCF etc. to arrive at an acceptable valuation range for investing in the security.
3. Portfolio Construction – The Portfolio Manager managing the strategy is then free to construct the Clients Portfolio from within the investible universe at his discretion.

Benchmark : Nifty 50

#### Basis for choice of benchmark :

Nifty 50 index is a broad-based stock market index for the Indian equity market and tracks the behavior of a portfolio of blue-chip companies, the largest and most liquid Indian securities. It represents the weighted average of 50 Indian company stocks in almost 17 sectors. Hence, we believe Nifty 50 is the appropriate benchmark which would reflect the realistic comparison with the portfolio performance

## PORTFOLIO ACTION

### Alchemymy Leaders

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#### Portfolio Action:

##### **Tata Consultancy Services Ltd (TCS) : Entry**

TCS is one of the largest Indian IT service provider with revenues of US\$ 25 bn and more than 520K employees. IT services is seeing a cyclical upturn led by cloud services as companies migrate to the cloud. We believe that TCS is well placed to benefit from the trend with its strong domain and technology expertise. In addition, company should manage the wage inflation pressure better than peers due to its strong talent training program. Continued strong free cash flow cash generation, limited acquisitions, strong TCV and employee headcount addition help the stock perform well.

**Key Risks:** Covid related lockdowns and impact on US/EU economies, exchange rate fluctuations and prolonged talent war leading to wage increases

##### **Bajaj Auto : Entry**

Bajaj Auto is the second largest motorcycle player in India with a very strong export franchise across emerging markets. Bajaj Auto is the market leader in the 3W segment in India with a growing export presence. While we expect muted domestic demand due to sharp price increases from BS6 transition and higher commodity prices, we believe that export markets remain buoyant. The company has indicated a pivot in their response to longer term threat from EV to the core 2W business. They have increased investment in physical capacity as well as R&D for new platforms. This should allay investor concerns on growth prospects. As a result, we are entering the stock.

**Key Risks:** Continued 2W Slowdown, weakness in export market, accelerated acceptance of EV in 2W market

##### **Mindtree : Exit**

Total contract value (TCV) (seen in peers as well) is now in a slow lane (up 15% y/y). Mindtree surprised again with a higher EBITDA margin in Q3 FY 22 as it benefitted from lower y/y contributions to provident & other funds (non-recurring), pyramid flattening with ~35% fresh graduates intake, and higher offshore (nonrecurring). Therefore, we expect margins to face slight headwinds ahead. Also, the stock is richly valued now. So, we have decided to exit the stock in order to grasp better opportunities in the market.

## PORTFOLIO ACTION

### Alchemy Leaders

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#### **PI Industries : Exit**

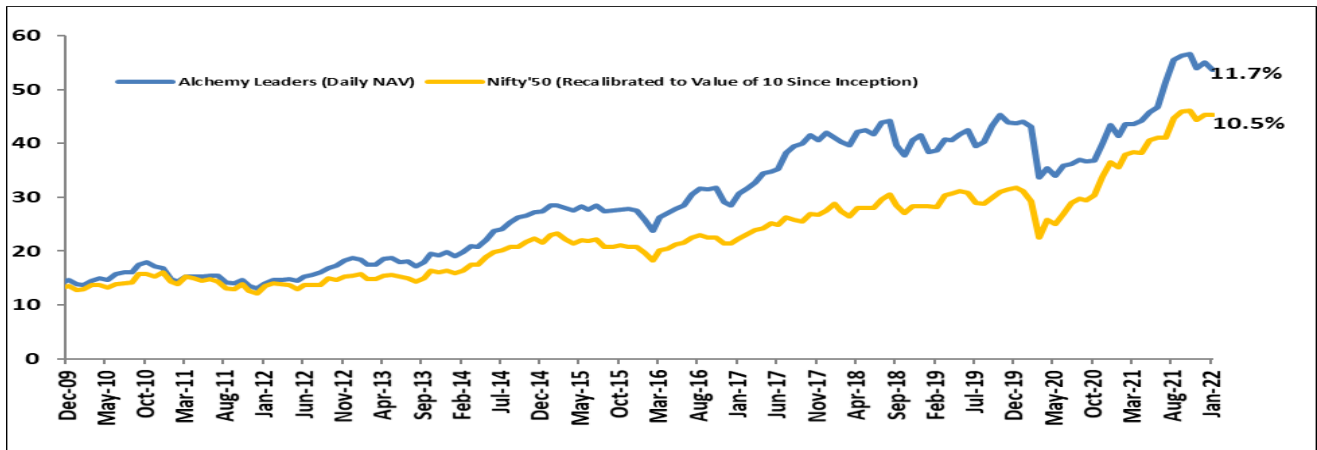
We believe that delay in pharma execution has been a disappointment. Also, this has been a relatively tough year both on the domestic Agri side and on the Agri Custom Synthesis Manufacturing (CSM) side. Added to these issues a few senior management exits have added to street nervousness on the counter. There are a few promising starts on non-ag opportunities despite Ind-swift acquisition cancellation, but we wait for them to show scale promise. We like the core franchise, but valuations can get more attractive. So, we have decided to exit the stock.

#### **Ambuja Cement : Exit**

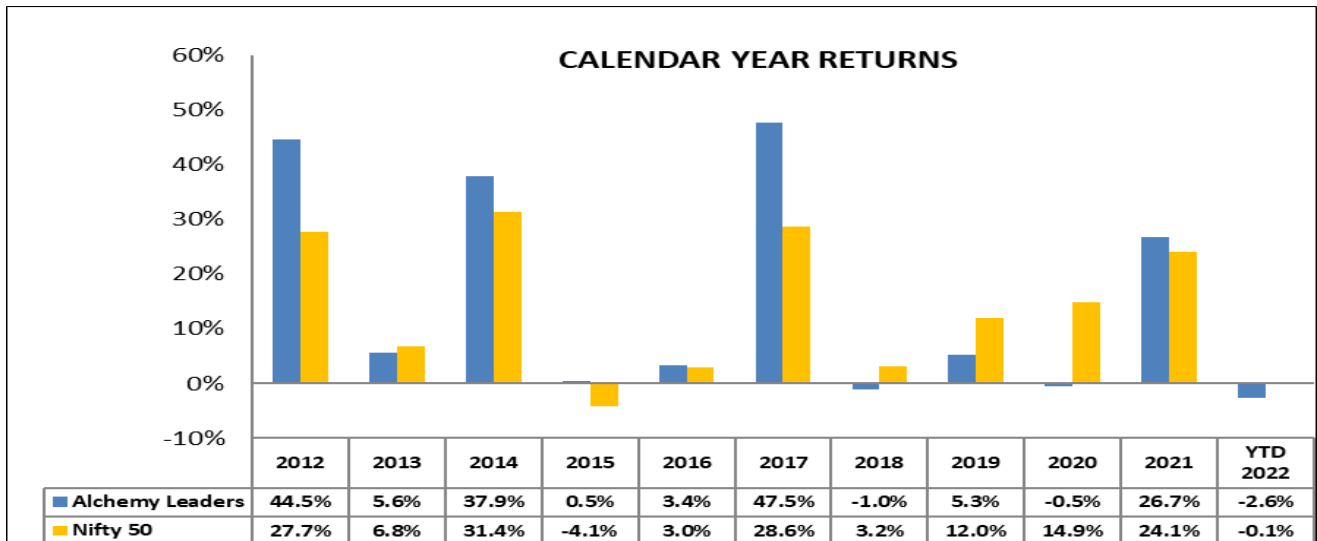
- Ambuja Cement (a Holcim group company) is a large cement player with capacity of over 29.7 MT spread across North-Central (40%), West (~35%) and East (~25%) in India. It has a large marketing set-up, pan-India presence.
- Ambuja's 3QCY21 earnings were impacted by higher costs (energy, freight, and other expense) as Operating Profit Margin (OPM) declined by 2.2pp YoY (1.8pp below our estimates) and EBITDA/ton fell 5% YoY. Blended cost/ton increased by 9% QQQ and 7% YoY to INR4,087 on account of higher-than-expected fuel and freight cost inflation.
- We believe going ahead, any delay in commissioning of new capacity may impact return ratios and Volatility in prices of imported coal/pet coke may impact margins. Hence, we decided to exit the stock to grasp better opportunities in the market.

## PRODUCT PERFORMANCE

### Alchemy Leaders



Returns shown in above graph are CAGR.



Returns shown in above graph are absolute returns.

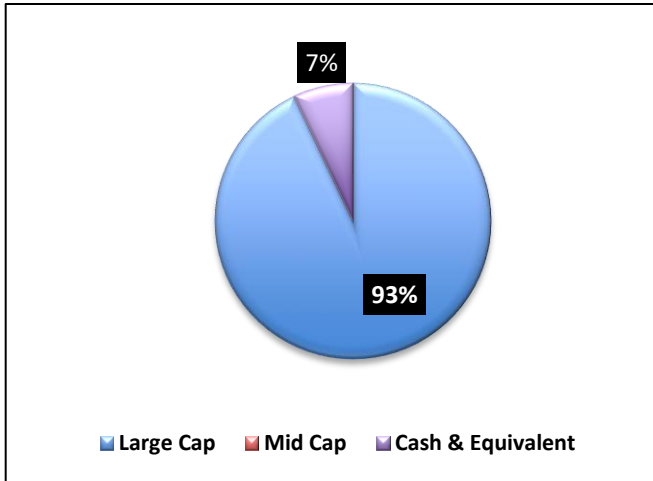
Data as on Jan 31, 2022. Inception Date: 21-Dec-2006

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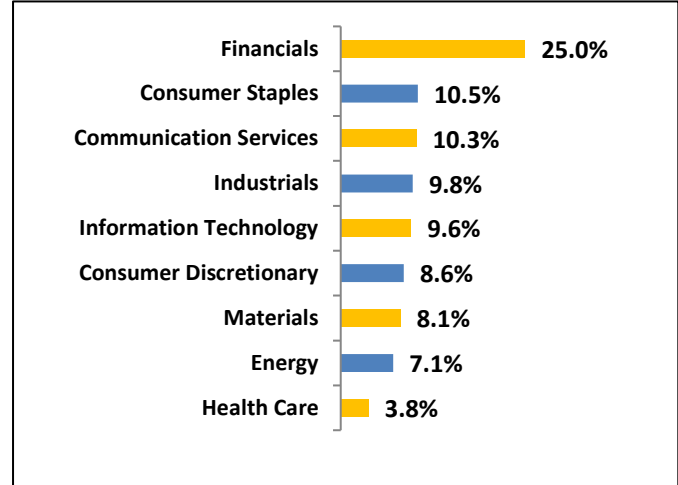
## PRODUCT PERFORMANCE

### Alchemy Leaders

MARKET CAP ALLOCATION\*



GICS SECTOR ALLOCATION (%) †



PERIODIC RETURNS#

Period	Alchemy Leaders	Benchmark Nifty 50
6 Months	4.2%	10.0%
1 Year	29.6%	27.2%
2 Years	10.3%	20.4%
3 Years	11.9%	17.0%
5 Years	11.8%	15.2%
7 Years	9.5%	10.2%
10 Years	14.3%	12.8%
Since Inception <sup>^</sup>	11.7%	10.5%

RATIO ANALYSIS

Parameter	Alchemy Leaders (Since Inception)	Benchmark (Since Inception)
Std. Dev.	16.4%	22.2%
Sharpe	0.4	0.2
Beta	0.7	1.0

<sup>^</sup> Inception Date : 21-Dec-2006

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\*Source : AMFI

† Source : Bloomberg

Data as on Jan 31, 2022



## PMS PRODUCTS

### Alchemy Ascent\*

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Investment Objective:\* To generate long-term risk adjusted returns.

Philosophy & Strategy:\* A High-Risk High Return oriented strategy where capital allocation is as important as stock selection and which aims at generating long term return by investing in companies with Market Capitalisation of 4000 crores and above, using data intensive research driven investment approach, to identify companies based on various parameters such as growth, valuation, quality earning and balance sheet health.

Description of types of securities : Equity

Investment horizon : 3 to 5 Years

Risk associated with Investment approach^^ : High Risk

Allocation of Portfolio across types of securities :

Upto 100% in equity (cash portion may be deployed in liquid funds/ debt securities).

Portfolio Construct: Average of 25-30 stocks. (Additional investments would be managed as a separate portfolio)

\*Alchemy Ascent is one of the product / investment approach of Alchemy Capital's Portfolio Management Services. The investment objectives, strategy and allocation are indicative and there are no assurances that it will be achieved. Investors are advised to take independent tax, legal, risk, financial and other professional advice. ^^ All product/ investment approach attract various kinds of risks. Please read the relevant Disclosure Document/ Client Agreement carefully before investing.

## PMS PRODUCTS

### Alchemy Ascent

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#### Basis of selection of types of securities as part of the investment approach

Equity stocks are chosen for investment on the basis of 3 factors :

1. The company fundamentals, as reflected in reported numbers
2. Investment strategy research regarding various market cycles and
3. Risk & Reward ratios

Cash or cash equivalents are chosen when an appropriate equity opportunity is not available

Benchmark : S&P BSE 200

Basis for choice of benchmark : Since our investible universe is an average market capitalization of Rs. 4000 crore and above and since the last stock in BSE 200 also tends to hover around a market cap of approximately Rs. 4000 crore, we have chosen the S&P BSE 200 index as our benchmark.

## PORTFOLIO ACTION

### Alchemy Ascent

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#### Portfolio Action:

##### Mastek Ltd: Entry

- Established in 1982, Mastek provides IT services to four verticals – government (mostly caters to the UK government), retail, financial, and information technology (IT) services. Mastek continues to be ranked among the top three vendors in delivering agile development services to the UK government on digital, G-Cloud, and GDS frameworks. The company primarily provides digital solutions to its retail (ex. Oracle Cloud Commerce platform) and financial clients (primarily wealth management and digital banking clients), while it helps the government to reduce cost and time in delivery in the UK.
- The company's acquisition of Evosys ( leading Oracle Platinum Partner) has enabled Mastek to provide end to end solution and improve margins from ~14% to 21.
- We understand that going forward, the company aims to drive growth via 1) Cross sell & up sell in the US, 2) tap UK private sector, 3) focus on more integrated deals (like the one won in Europe of US\$6 million, 4) increase in deal size from US\$5 million to US\$10 million, 5) diversify in the US beyond retail (the company has won a few deals in media & healthcare), 6) the company is also building leadership in geographies and verticals to drive growth.
- **Key Risks:** Muted demand in US & UK, Inability to sustain cost savings.

##### Marico Ltd : Exit

- Marico is one of the major FMCG companies present in hair oil, edible oil, foods & personal care segment. Major brands include Parachute, Saffola, Nihar, Hair & Care, Set Wet, Livon and Beardo. The company has an overall distribution network of more than 5 million outlets and direct reach of ~1 million outlets. Through its stockist network, it reaches 58000 villages as of Sep 2021
- In its Q3FY22 business update, the company has stated that a high base effect and sluggish demand in the rural markets affected the volume growth in the quarter gone by. The Coconut oil segment has seen muted growth while Saffola edible oils segment saw a drop in volumes as the in-home and out-of-home consumption trends started normalizing, with the opening of the economy.
- Incessant commodity inflation to pressurize margins & dismal growth in highly penetrated hair oil category can also be some of the key risks going ahead for this company. Hence, we decided to exit the stock to grasp better opportunities in the market.

## PORTFOLIO ACTION

### Alchemy Ascent

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#### **Info Edge ( India ) Ltd : Exit**

- Info Edge (India) Ltd is engaged in online classified business. Company operates an online job portal Naukri.com, a matrimony website Jeevansathi.com, a real estate search portal 99Acres.com and an educational website Shiksha.com
- The 2Q FY 22 EBITDA margin fell 100bps QOQ to 30.2%. Margins have expanded for the Recruitment business, led by operating leverage from strong growth. However, margin tailwinds were offset by higher advertisement and promotional expenses in 99acres. With continuous pressure on tech salaries and growth improving in 99acres, we expect the operating spend to increase going forward.
- We have decided to sell the stock on the entire product level as some of the threshold parameters has been breached

#### **Mahindra CIE Automotive Ltd : Exit**

- Mahindra CIE, part of the Spain-based CIE Automotive Group, is a multi-technology, multi-product automotive component supplier.
- For Q3 CY 21, its Europe (EU) operations were affected by chip shortages and an adverse exchange rate. New order for EVs provides support against an expected loss of revenue growth. EU business revenue grew 13% YoY (-14% QOQ). EBITDA margin was down around -130bp QOQ. Sales dropped sequentially due to seasonality in summer holidays and semiconductor shortages.
- The management expects lower than expected sales in 4QCY21 (v/s earlier estimates) due to ongoing semiconductor shortage. However, it is optimistic about growth in both India and the European region during CY22 and CY23, subject to semiconductor availability.
- We have decided to sell the stock on the entire product level as some of the threshold parameters has been breached.

## PORTFOLIO ACTION

### Alchemy Ascent

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#### **Ambuja Cements Ltd : Exit**

- Ambuja Cement (a Holcim group company) is a large cement player with capacity of over 29.7 MT spread across North-Central (40%), West (~35%) and East (~25%) in India. It has a large marketing set-up, pan-India presence.
- Ambuja's 3QCY21 earnings were impacted by higher costs (energy, freight, and other expense) as Operating Profit Margin (OPM) declined by 2.2pp YoY (1.8pp below our estimates) and EBITDA/ton fell 5% YoY. Blended cost/ton increased by 9% QoQ and 7% YoY to INR4,087 on account of higher-than-expected fuel and freight cost inflation.
- We believe going ahead, any delay in commissioning of new capacity may impact return ratios and Volatility in prices of imported coal/pet coke may impact margins. Hence, we decided to exit the stock to grasp better opportunities in the market.

#### **First Source Solutions Ltd: Exit**

- First source Solutions Limited (FSL) is an Indian business process management company headquartered in Mumbai, India. It is owned by RP-Sanjiv Goenka Group. FSL provides business process services to BFSI, Communication, Media, Tech and Healthcare. The company generates 49% revenues from BFSI while healthcare and communication form 30% and 20%, respectively as of Dec 2021.
- The company reiterated its revenue guidance of 14.5-15.5% in FY22, cut downwards from its earlier guidance range of 15-18%. Weakness in collections business in the US is one of the drivers of a cut in revenue guidance for FY22.
- The company also indicated that the US and UK markets are going through unprecedented talent shortages driven by a multitude of structural and pandemic related reasons.
- We have decided to sell the stock on the entire product level as some of the threshold parameters has been breached.

## PORTFOLIO ACTION

### Alchemy Ascent

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#### **Gujarat State Petronet Ltd (GSPL): Exit**

- Gujarat State Petronet Limited (GSPL) is a natural gas transmission company. It has 2239 km long gas pipeline network (Gujarat Gas Grid) in Gujarat as of Dec 20221. To increase its geographical spread, it had participated and won bids to put up 3 major pipelines outside Gujarat (1) Mallavaram (Andhra Pradesh) - Bhilwara (Rajasthan), (2) Mehsana (Gujarat) - Bhatinda (Punjab), and (3) Bhatinda (Punjab) - Srinagar (J&K).
- On a consolidated basis, the company's net profit declined 20.1% to Rs 398.40 crore on a 37.1% rise in net sales to Rs 4,085.12 crore in Q2 FY22 over Q2 FY21. Total expenditure during the quarter Q2 FY 22 increased by 76.1% YoY to Rs 3,279.95 crore, due to a surge in raw material costs (up 93.4% YoY).
- Higher spot LNG prices reduced LNG imports in Q 2 FY 22 and impacted the company's pipeline capacity utilization. Global LNG prices surged significantly to 30 MMBtu, compared to 6 /MMBtu in Q 3 and Q 4 of FY 21.
- We have decided to sell the stock on the entire product level as some of the threshold parameters has been breached.

#### **Manappuram Finance Ltd: Exit**

- Manappuram Finance is one of the leading gold loans NBFCs in India and is well diversified into other business segments like housing loan, vehicle loan and microfinance, with a branch network size of around 4,623 spread across the country.
- Even as AUM picked up momentum, Net Interest Income for Q2 FY22 showed a decline of 4.1% QOQ while it grew 1% YoY owing to lower yields. Interest income declined 2.8% QOQ and 4.4% YoY. Decline in yield was due to growth in Gold AUM as company focused on large ticket loans with lower interest rate.
- The management expects temporary decline in yields and for yields to eventually settle 2% below current levels. This will be off set through better operational efficiency. However, on a net basis, there would be some impact on spreads, leading to lower ROAs. Hence, we decided to exit the stock to grasp better opportunities in the market.

## PORTFOLIO ACTION

### Alchemy Ascent

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#### **Oracle Financial Services Software Ltd (OFSS): Exit**

- Oracle Financial Services Software Limited is a subsidiary of Oracle Corporation. It is a retail banking, corporate banking, and insurance technology solutions provider for the banking industry.
- OFSS's consolidated net profit declined 2.73% to Rs 435.34 crore on a 1.14% fall in revenue from operations to Rs 1266.33 crore in Q3 FY22 over Q2 FY22. Profit before tax in Q3 FY22 stood at Rs 593.43 crore, down by 5.29% from Rs 602.66 crore in Q2 FY22.
- We have decided to sell the stock on the entire product level as some of the threshold parameters has been breached.

#### **Supreme Industries Ltd: Exit**

- Supreme Industries (SIL) is one of the India's leading plastic processing company with a presence in four major segments including piping systems, packaging products, industrial products & consumer product category with revenue contribution of 63%, 18%, 12% & 7%, respectively as of Dec 2021.
- For Q3 FY 22, Gross margins came in lower by 502 bps YoY (up 50 bps QOQ) due to higher raw material cost. EBITDA margins declined 544 bps YoY. PAT declined 21% YoY to Rs 246 crore, tracking lower EBITDA.
- The company has planned a capex of Rs 521 crore for FY22 which can impact the margins in the near term.
- Input cost pressure and low demand of Agri pipes can be a key risk for the company going ahead. Hence, we decided to exit the stock to grasp better opportunities in the market.

## PORTFOLIO ACTION

### Alchemy Ascent

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#### **Tata Steel Ltd: Exit**

- Tata Steel (TSL) is one of the world's most geographically diversified steel producers, with operations and commercial presence across the world. Since 2016, TSL has been consistently ranked among the top five steel companies in the DJSI Corporate Sustainability Assessment.
- Over the last few weeks, Indian steel prices have witnessed a softening trend. Domestic Hardness Rockwell C (HRC) prices have declined from Rs 67500/ton as on November 30, 2021, to Rs 65500/ton on December 09, 2021. Along with steel prices, prices of key inputs such as coking coal have also witnessed a falling trend.
- The tightening monetary policy in the US and appreciation of US dollar can lead to more correction in steel prices. The risk-adjusted return potential for Tata Steel is not that strong now given the inherent volatility in commodity prices.
- Hence, we decided to exit the stock at the product level to grasp better opportunities in the market.

#### **Route Mobile Ltd: Exit**

- Route Mobile Ltd (Route), incorporated in 2004, is a Mumbai headquartered leading Cloud-communication platform provider, catering to enterprises, over-the-top (OTT) players and Mobile network operators. Their product portfolio includes smart solutions in Messaging, Voice, Email and SMS filtering, Analytics and Monetization.
- The company reported a 47% YoY revenue growth in FY21, its YoY revenue growth (though strong) has been moderating through the past 3 quarters both because of tough comparable as well as some client issues (specific to 1QFY22).
- Route has corrected by 19%/12% over the past 3/6 Months in line with the sharp correction seen for global Communication platform as a service (CPaaS)/Software as a service (SaaS) players over the period. The underlying correction in SaaS multiples remains an overhang in the stock.
- We have decided to sell the stock on the entire product level as some of the threshold parameters has been breached.



## PORTFOLIO ACTION

### Alchemy Ascent

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#### **Lux Industries Ltd : Exit**

- Lux industries, previously known as Biswanath Hosiery Mills, is an Indian underwear company headquartered in Kolkata, West Bengal, India. Its offerings include various kinds of hosiery products for men, women and children. It is one of the oldest underwear companies in India.
- For H1FY22, Premium and Mid - Premium segment reported a volume growth of 38% YoY and 5% YoY respectively, while the economy segment reported a volume decline of 5% YoY due to high base of the last year. Employee cost as a % of revenue increased 30bps; Subcontracting/ Jobbing expenses as % of sales contracted by 50 bps, other expenses increased by 21% YoY.
- Company took price increase of around 11-12 % in the last 12 months due to cost inflation and it is expecting price increase of around 6 – 7 % going forward.
- Inflation in raw materials & Slowdown in the economy can be key risks going ahead for the company. We have decided to sell the stock on the entire product level as some of the threshold parameters has been breached.

#### **Dalmia Bharat Ltd : Exit**

- Dalmia Bharat Limited is part of the Dalmia Group, one of India's oldest industrial houses with operations in areas such as cement, sugar, travel, magnesite, refractory and electronics across the country. The cement business was founded in 1935 and is now housed under Odisha Cement Limited, which is the third largest cement player in India, with total installed capacity of 31 MT under control through subsidiaries. The company is among the market leaders in East and South India with a sizeable market share.
- As per the management, demand has been impacted in the region of operation, primarily in East (declined YoY) owing to monsoons, floods, and COVID-19. Blended cement share has dipped in 3Q FY 22 to 75% from 80% owing to change in the market mix. Oct'21 too has witnessed an impact of demand disruptions.
- Going ahead any volatility in prices of imported coal/pet coke may impact margins. Hence, we decided to exit the stock to grasp better opportunities in the market.

## PORTFOLIO ACTION

### Alchemy Ascent

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#### **Amber Enterprises Ltd: Exit**

- Amber is a leading solution provider for air conditioner Original Equipment Manufacturer (OEM)/Original Design Manufacturer (ODM) industry in India. The company has a product portfolio including Residential Air Conditioners (RACs), RAC components and other non-AC components. It derives ~62% of its revenues from RACs and the rest from components and mobility applications
- EBITDA margin increased 54 bps YoY to 5.8% led by improved operating leverage for Q2 FY22. Passing on of higher raw material prices to end customer has restricted overall fall in gross margin by 37 bps YoY (up 250 bps QOQ) for Q2 FY22.
- Higher raw material prices have led to rise in finished good prices. However, this was well accepted by the end consumers and had no significant impact on the demand in this quarter. We believe that going ahead, any delay in passing on high input prices can be a key risk for the company.
- Hence, we have decided to sell the stock on the entire product level as some of the threshold parameters has been breached.

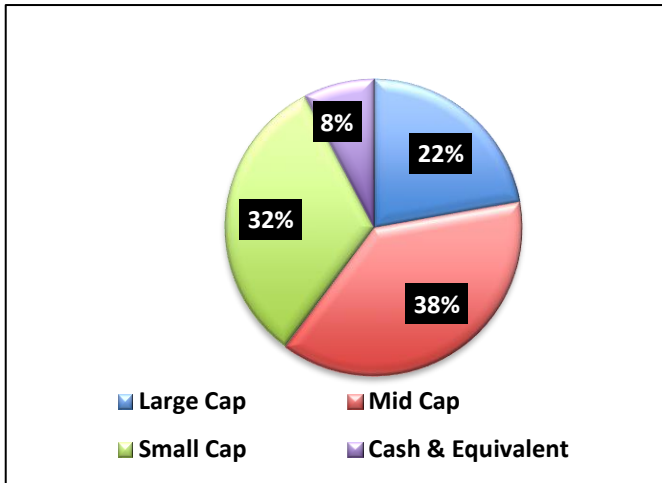
#### **Finolex Industries Ltd (FIL): Exit**

- The Company is engaged in business of manufacturing PVC pipes & fittings manufacturing of PVC resin and power generation. The company has two subsidiaries namely Finolex Plasson Industries Pvt Ltd and Pawas Port Ltd. The company is one of the largest PVC pipe manufacturer in the country.
- Finolex Industries (FIL) reported weak set of numbers in Q3FY22. This could be attributed to decline in volumes resulting from destocking at the dealer/distributor level due to fluctuation in PVC resin prices and COVID's 3rd wave as well as extended rainfall-impacted agri pipe demand. FIL's revenue/EBITDA/PAT declined by ~6%/30%/32% YoY.
- Gross Margin for the quarter declined 60 bps to 44.4% (vs 44.3% in Q2FY22) due to rise in input costs.
- We have decided to exit the stock to grasp better opportunities in the market.

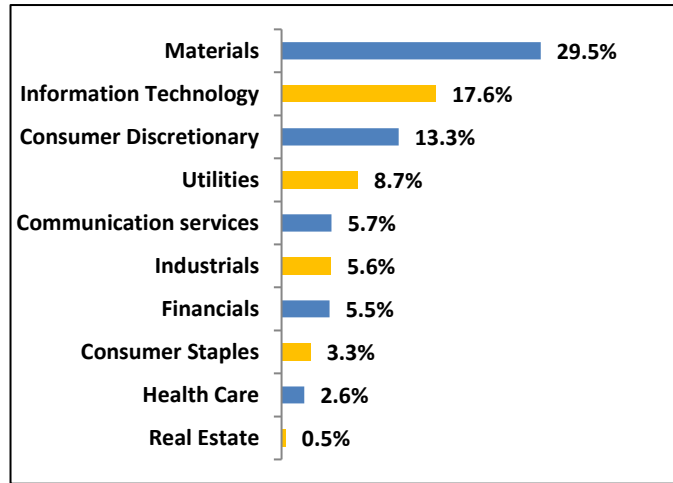
## PRODUCT PERFORMANCE

### Alchemy Ascent

MARKET CAP ALLOCATION\*



GICS SECTOR ALLOCATION (%) †



PERIODIC RETURNS#

Period	Alchemy Ascent	Benchmark S&P BSE 200
1 Month	-1.8%	-0.3%
3 Months	3.0%	-1.6%
6 Months	3.8%	9.2%
1 Year	62.1%	29.8%
2 Years	26.8%	22.0%
Since Inception <sup>^</sup>	26.5%	23.5%

<sup>^</sup> Inception Date : 03-Sep-2019

RATIO ANALYSIS

Parameter	Alchemy Ascent (Since Inception)	Benchmark (Since Inception)
Std. Dev.	19.3%	22.7%
Sharpe	1.0	0.8

# **Performance related information provided herein is not verified by SEBI**

# Returns are net of fees, expenses & taxes (if applicable).

# Returns less than 365 days: Absolute, greater than 365 days: CAGR (Computed using TWRR method).

# Past Performance is not indicative of future performance.

# The above performance figures are aggregate of all discretionary clients; the investor's actual portfolio may differ.

\*Source : AMFI

† Source : Bloomberg

Data as on Jan 31, 2022

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