
THE WEALTHY TIMES

**ONLY AN INFORMED DECISION CAN MAKE YOU WEALTH.
STAY HUNGRY. STAY WEALTHY.**



PROFIT RADAR

**NAVIGATING THE
PATH TO FINANCIAL
ABUNDANCE**

July of 2023!! A lot has happened in this month.

Indeed, the contrast of events in July can be striking. Natural disasters like heavy rains and floods can cause significant devastation and loss of life, affecting communities and ecosystems. On the other hand, the soaring markets indicate economic activity and investor optimism, which can have positive implications for businesses and wealth creation.

Predicting the future trajectory of events is challenging, especially considering the complexity and unpredictability of both natural and financial systems. It's essential to address the impacts of natural disasters, provide support to affected communities, and work on sustainable practices to mitigate future risks. Similarly, for the financial markets, investors and policymakers need to make informed decisions, balancing growth with stability and inclusiveness.

Our outlook for the markets remain bullish. Our belief is based on;

- 1) India will continue to be the BEST performing Economy globally
- 2) The Earnings Growth with remain strong
- 3) Attract long term foreign inflows into equity markets

Data points show that India is the outlier amongst peers globally and shall continue to remain so. Earnings growth should remain between 12-14% which.

More and more Foreign money is eager enter Indian markets which reflects in strong inflows in CY2023 so far. (INR 1.178 Lacs). This is in stark contrast to CY2022 which had a whopping negative flow.

CALENDAR YEAR <i>INR in Crores</i>	Equity	Debt	Total
CY 2023	117831.4	17,877.50	1,35,708.90
CY 2022	-1,34,550.70	-11,118.20	-1,45,668.90
CY 2021	25,767.90	-11,284.50	14,483.40
CY 2020	1,72,849.20	-1,03,374	69,475.00
CY 2019	1,00,150.40	24,133.50	1,24,283.90

This would not be possible without any challenges though leading to volatility. The markets could be challenged by the following:

- 1) Valuations – Expensive valuations can be a major hindrance
- 2) Inflation – Has been gradually inching upwards
- 3) Weak Agriculture output – Can spike up food inflation
- 4) Global Weakness

The markets have been largely defying all odds and showing strong resilience against these factor. Going forwards, we feel, there could be intrinsic volatility which could open up exciting windows of opportunities. We suggest using these windows of opportunities and follow STAGGERED investment mode for committing money with a long term horizon for superlative wealth creation.



Harbir Singh
CEO and Co-Founder
PMSTimes.in

Market At A Glance



DOMESTIC MARKETS		
INDICES	1 MoM (July 23)	1 YoY (1 Year)
SENSEX	2.80%	14.47%
NIFTY	2.94%	13.92%
NIFTY BANK	2.02%	20.44%
NIFTY MIDCAP 100	5.50%	25.20%
NIFTY SMALLCAP 100	7.99%	25.34%

COMMODITIES		
COMMODITIES	1 MoM (July 23)	1 YoY (1 Year)
GOLD \$	4.14%	12.39%
SILVER \$	9.48%	22.64%
CRUDE WTI \$	15.80%	-12.88%
BRENT CRUDE \$	14.23%	-14.47%



GLOBAL MARKETS		
MARKETS	1 MoM (July 23)	1 YoY (1 Year)
DOW JONES	3.35%	8.42%
NASDAQ	4.05%	15.98%
S&P 500	3.11%	11.42%
FTSE	2.23%	3.86%
SHANGHAI	2.78%	0.95%
NIKKEI	-1.72%	18.50%
HANG SENG	6.15%	-0.43%

FII + DII ACTIVITY (Jul 2023)		
FII (Rs Crore)	34,768.10	EQUITY
DII (Rs Crore)	1,648.30	
NET (Rs Crore)	36,416.40	

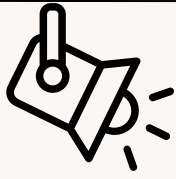
FII + DII ACTIVITY (Jul 2023)		
FII (RsCrore)	2,855.50	DEBT
DII (Rs Crore)	8,395.40	
NET (Rs Crore)	11,250.90	

BOND	YTM
10 Yr GSEC 2033	7.172%

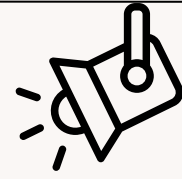
CURRENCY	1 MoM (July 23)	1 YoY (1 Year)
₹ INR VS USD	0.18%	4.16%

Source www.investing.com





Fund House in SPOTLIGHT



NAFA Capital Advisors, the parent company of NAFA Asset Managers, is an India-focused, integrated financial services platform with activities in investment management and corporate advisory. NAFA Capital Advisors specialises in providing a variety of financial services, advisory services and asset management services across a broad array of asset classes under a single umbrella. The NAFA Group's asset management business includes a private equity fund, public equities & debt market investment management and wealth management services with a wide suite of products to invest in.

NAFA will also be launching its Fintech Lending platform towards the end of 2020. The NAFA Group has a team of experienced professionals with in-depth knowledge and expertise in their areas of focus. With decades of combined experience in the financial sector and the group's unmatched network across sectors, NAFA is uniquely armed to enhance profitability and drive business growth.

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Why NAFA Asset Managers?

Experienced Management and Talented Team

They have a strong team pooling together over 100 years of asset allocation experience.

Research and Reach

They built into their research methods qualitative evaluation of management through their extensive reach developed over the years.

Successful Investment Strategies and Tools

They deploy successful investment strategies and proprietary tools that have been developed and continuously improved upon over the past 25 years.

Focus on Risk Adjusted Return

Their Investment Management team with its experience, process driven approach and strong risk management is focused on generating superior risk adjusted returns.

Fund Manager * VIEWPOINT *



We would like to discuss our stocks in the monthly newsletter as part of our stock series. Last time we discussed about Timken India in detail and this month we will discuss about KEI Industries and the thought process behind our initiation and about the prospects

KEI Industries

KEI Industries Ltd was established in 1968 as a partnership firm under the name Krishna Electrical Industries. It manufactures cables and wires, with a product portfolio ranging from housing wires to Extra High Voltage (EHV) cables, and further diversifying into the Engineering, Procurement, and Construction (EPC) services for power and transmission projects. It has 5 manufacturing facilities located across Rajasthan and Silvassa.

When did we buy it?

We initiated KEI Industries during Nov'2020 in our portfolios at a price band between Rs.350 to 375 and we continue to hold till today. When we bought KEI, it was trading at 14 to 15P/E on TTM basis and the median P/E during that time was 18 to 19P/E

Why did we buy it?

When we compared KEI Industries with its peers like Polycab and Finolex cables, we observed the following:

Rs. (Cr)		2020	2017	2020	2017	2020	2017	2020	2017	2020
S no.	Co Name	Sales	Sales	EBITDA	EBITDA	EBITDA Margin	EBITDA Margin	PAT	PAT	M.Cap (Crs)
1	KEI Industries Ltd.	4,888	2,832	514	279	10.50%	9.90%	256	94	2,396
2	Polycab India Ltd.	8,830	6,047	1,228	555	13.90%	9.20%	773	233	11,045
3	Finolex Cables Ltd.	2,877	2,671	475	455	16.50%	17.00%	391	400	3,110

- ◆ EBITDA Margin was improving for KEI and Polycab, However Finolex is losing the margins
- ◆ Clearly Polycab was leading on the margin front due to its B2C mix Vs a Vs KEI was more into B2B mix (71% of the revenue)

	3 Year CAGR (%)			Valuation
	Sales	EBITDA	PAT	P/S
KEI	19.90%	22.60%	39.90%	0.49
Polycab	13.50%	30.30%	49.10%	1.25
Finolex	2.50%	1.40%	-0.80%	1.08

However, we found there was a mispricing by the market as KEI was trading @ 0.5x of sales vs Finolex, who is losing market share is trading @ 1.08x of sales. Hence we thought that KEI should trade somewhere close to Finolex multiples, with a slight discount to polycab as the Sales/EBITDA/PAT CAGR are superior to Finolex and slightly discounted to polycab. Based on the above thesis, we started initiating KEI in the NAFA Emerging, Small Cap & Clean Tech Portfolios.

Fund Manager

* VIEWPOINT *



Financials and stock performance since 2020

As per our expectation, the market started to re-rate KEI and KEI also executed well during the period. KEI revenue was at Rs. 4,884 Crs in 2020 and in 2023, they have recorded close to Rs. 6,921 Crs CAGR of 12.3% and operating margin was maintained at 10% during this period. Stock price also moved up from Rs. 350 levels to Rs. 2,300, and recorded an impressive 85% CAGR during the same time. The main reason for the stock movement comes from re-rating of the stock and the debt reduction by the company from Rs. 360 Crs in 2020 to Rs. 160 Crs in 2023

Key takeaways and prospects

Here the KEI Industries have not done anything significant, but with a lot of discipline, promoter did not misallocate any capital outside his core competency. Also, they started reducing debt once the operational cash flows are over and above their capital expenditure needs. NAFA AMC would like to initiate these kinds of companies in our client portfolios to create wealth in the long term



**KR
SENTHILNATH**

Director & AVP - Investments
NAFA Asset Managers



Senthil co-manages the funds and heads the research function of NAFA Asset Managers. With his keen attention to detail and data, he is able to spot trends in the market with a high degree of conviction. In his last assignment he was responsible for executing trades for the domestic equity portfolio which has AUM of over USD1.5bn.

THE

SCHEMATICS

NAFA Emerging Bluechip - Strategy

Invest in high quality small and midcap stocks with potential scope to grow exponentially over 5-7 years.

FUND OVERVIEW

Type: A focused equity strategy with a Mid & Small cap bias.

Objective: To achieve higher returns through investment in high potential Mid & Small Cap companies.

Benchmark: BSE 500

Horizon: Min of 3-6 years.

OBJECTIVE & STRATEGY

- Invest in primarily in Mid & Small Cap businesses with visionary management having potential to scale up and grow exponentially over a 5 to 7 year period and to generate higher risk-adjusted returns.
- Seek to achieve outperformance by investing in emerging market leaders and take active sector, stock and cash calls.
- Concentrated portfolio of 20-25 stocks to avoid diluting returns through over-diversification.
- Follow a framework with emphasis on investing in growth stocks with quality management, high ROE and low leverage.

STRATEGY PERFORMANCE

PERFORMANCE (%)

<u>INCEPTION (1-MAR-16)</u>	<u>NAFA EB</u>	<u>BSE 500 TRI</u>
1M	5.3%	4.3%
3M	20.7%	13.2%
6M	17.3%	6.8%
1Yr	31.7%	24.0%
2Yr	20.3%	11.7%
3Yr	41.1%	26.4%
5Yr	18.8%	13.9%
Since Inception CAGR	15.7%	15.8%

RISK RETURN EXPECTATION

EXPECTED RETURN: HIGH

SECTOR ALLOCATION

SECTOR ALLOCATION (%)

<u>SECTOR</u>	<u>WEIGHT</u>
Capital Goods	11.3%
Finance	9.5%
Cables	7.5%
Chemicals	7.4%
Construction Materials	7.4%

TOP HOLDINGS

KEI Industries Ltd.
Greenpanel Industries Ltd.
Roto Pumps Ltd.Astral Ltd.

NAFA Clean Tech - Strategy

Focus on growth stocks with scope for increased operating leverage.

FUND OVERVIEW

Type: A focused equity strategy with a Mid & Small cap bias.

Objective: To generate long-term capital generation to the tune of 15 to 20% CAGR during the investment horizon by investing in Indian listed entities.

Benchmark: BSE 500

Horizon: 5 years & above

OBJECTIVE & STRATEGY

- Invest in Large, Mid & Small Cap businesses with visionary management having potential to scale up and grow exponentially over a 5 year period and to generate higher risk-adjusted returns.
- Seek to achieve outperformance by investing in EV oriented players and take active sector oriented stock and cash calls.
- Concentrated portfolio of 10-15 stocks to avoid diluting returns through over-diversification.
- Follow a framework with emphasis on investing in growth stocks with high potential over Electric mobility segment

STRATEGY PERFORMANCE

PERFORMANCE (%)

<u>INCEPTION (22-SEP-21)</u>	<u>NAFA NCT</u>	<u>BSE 500 TRI</u>
1M	4.7%	4.3%
3M	18.0%	13.2%
6M	22.0%	6.8%
1Yr	32.2%	24.0%
2Yr		
3Yr		
5Yr		
Since Inception CAGR	24.8%	6.6%

RISK RETURN EXPECTATION

EXPECTED RETURN: HIGH

SECTOR ALLOCATION

SECTOR ALLOCATION (%)

<u>SECTOR</u>	<u>WEIGHT</u>
Cables	26.2%
Capital Goods	21.4%
Chemicals	11.2%
Glass & Glass Products	8.6%
IT - Software	9.1%

TOP HOLDINGS

KEI Industries Ltd.
 ABB Power Products and Systems India Ltd.
 Linde India Ltd.
 KPIT Technologies

*Performance as on 30 June-23

NAFA Small Cap – Strategy

Focus on growth stocks with scope for increased operating leverage.

FUND OVERVIEW

Type: A focused equity strategy with a Small cap bias.

Objective: To achieve higher returns through investment in high potential Small cap companies.

Benchmark: S&P BSE 500 Index.

Horizon: Min of 3–6 years.

OBJECTIVE & STRATEGY

- Invest primarily in Small Cap companies with visionary management having potential to scale up and grow exponentially over a 5 to 7 year period and to generate higher risk-adjusted returns.
- Seeks to achieve outperformance by investing in emerging market leaders and take active sector, stock and cash calls.
- A concentrated portfolio of 20–25 stocks to avoid diluting returns through over-diversification
- Follow a framework with emphasis on investing in growth stocks with quality management, high ROE and low leverage.

STRATEGY PERFORMANCE

PERFORMANCE (%)

INCEPTION (11-MAR-19)	NAFA SC	BSE 500 TRI
1M	4.5%	4.3%
3M	18.3%	13.2%
6M	13.4%	6.8%
1Yr	28.4%	24.0%
2Yr	20.4%	11.7%
3Yr	39.6%	26.4%
5Yr	–	–
Since Inception CAGR	22.0%	15.6%

RISK RETURN EXPECTATION

EXPECTED RETURN: HIGH

SECTOR ALLOCATION

SECTOR ALLOCATION (%)

SECTOR	WEIGHT
Construction Materials	15.8%
Automobile & Ancillaries	14.2%
Electricals	9.3%
Industrial Manufacturing	9.1%
FMCG	7.3%

TOP HOLDINGS

KEI Industries Ltd.
Timken India Ltd.
Greenpanel Industries Ltd.
Tube Investments of India Ltd.

EXPERIENCED & TALENTED TEAM

We have a strong team pooling together over 100 years of asset allocation experience.

RESEARCH AND REACH

We build robust qualitative evaluation of management through our extensive reach developed over the years.

SUCCESSFUL INVESTMENT STRATEGIES AND TOOLS

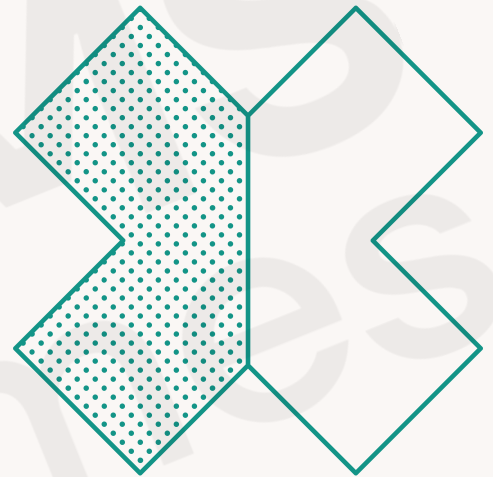
We deploy successful investment strategies and proprietary tools that have been developed and continuously improved upon over the past 25 years.

FOCUS ON RISK ADJUSTED RETURN

Our Investment Management team with its experience, process driven approach and strong risk management is focused on generating superior risk adjusted returns.

KEY

A T T R I B U T E S



THE BRAINS

BEHIND THE PORTFOLIO



**BALAJI VAIDYA
NATH**

Director, CEO & CIO
NAFA Asset Managers

Vaidyanath, CEO and CIO at NAFA AMC, has over a decade's equity market experience, with impressive returns and 100% outperformance of benchmarks. He excels in bearish phases, emphasizing high conviction and lengthy holdings. NAFA Asset Managers provide a solid platform under his leadership



AMEYA PRABHU

MD,
NAFA Asset Managers



**GAYATRI
SETHURAMAN**

Director,
NAFA Asset Managers



**KR
SENTHILNATHAN**

Director & AVP,
NAFA Asset Managers

I N V E S T M E N T

P H I L O S O P H Y



Trust the Process: The Process of Rejection



Rejection is underrated. Selection is overrated.
Our investment philosophy is based on the premise of rejection.

Only when there are no meaningful answers as to why a stock shouldn't form part of a portfolio, do we add them to our watch list.

STOCK
UNIVERSE

QUANTITATIVE
REJECTION
FILTERS

QUALITATIVE
REJECTION
FILTERS

RESIDUAL
INVESTABLE
STOCK UNIVERSE



NAVIGATING MULTI-CAP PMS STRATEGIES: A WEALTH PROFESSIONAL'S PERSPECTIVE

In our last edition of Consonance, I touched upon the idea of how Mutual Funds and PMS co-exist and in fact help in expansion of market for us as **Wealth Professionals**. This time around I want to touch upon one of the most popular categories in PMS space - Multi-Cap Portfolio Management Strategies.

For the sake of repetition, let me once define this category. It refers to investment approaches that involve managing a portfolio of stocks across different market capitalizations, including large-cap, mid-cap, and small-cap companies. The goal of these strategies is to achieve diversification, potentially capture growth opportunities across different market segments, and manage risk.

It is one category which has maximum number of players or schemes in the market. So, how do we then differentiate between them?

We can broadly further categorise these under following heads:

- Blend Strategy
- Top-Down Approach
- Bottom-Up Approach
- Dynamic Asset Allocation
- GARP (Growth at a Reasonable Price)
- Risk Management
- Tactical Allocation
- Long-Term Investment (Buy and Hold)

I've not described each category here in detail, let's keep that for some other time. Yes, there is a PMS for every category available here, and many more which I have not listed here.

This is the beauty of managed portfolios. We as **Wealth Professionals** get to provide our clients with a nuanced solution they are looking for.

So let's make our existing clients or prospects look at PMS as managed portfolios and expand their portfolio baskets.

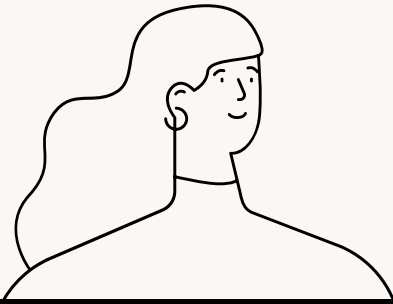
Happy Selling!!!

Cheers



Varun Pal
Co-Founder
PMStimes.in

Expanding
Investment Horizons

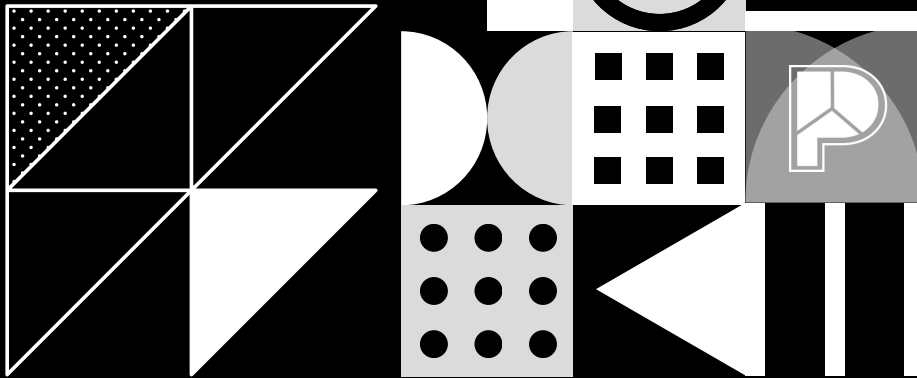


**Only an Informed & Well-Researched
Decision will make Wealth.
Everything Else is a Fluke.**

All PMS PERFORMANCES JULY 23

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hi@pmstimes.in

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