InCred Asset Management

INCRED HEALTHCARE PORTFOLIO

Investment Team

Aditya Khemka
Fund Manager

- Over 19 years experience in Equity businesses and investments. Brings along a rich global working experience in the US, EU, Latin America and in India.
- Has performed various roles like Treasurer in Glenmark (2006-2007), institutional equities analyst for Lehman, Nomura and Ambit Capital (2008-2015) and Healthcare fund manager for DSP (2015-2020).
- Qualifications - MSc. (Finance), PGDM (MDI, Gurgaon), CIIA (UK), CFA (ICFAI).
- Have formulated and executed a product strategy in DSP that drove ~40% alpha over the benchmark in 18 months with low churn and highest Sharpe ratio amongst peers.
- At InCred, his managed PMS Products are the best performing PMS Products in India in 2024-2025.
- Believes in bottom-up research and understanding the source of cash flows and their sustainability.

Secular vs. Cyclical – Story with Different Endings

An average Large cap Indian Pharma company in FY22

In Rs.	Indian business	US business	API/ROW	Consolidated
Revenue	30.0	50.0	20.0	100.0
EBITDA	12.0	5.0	5.0	22.0
Depreciation	0.5	6.0	0.5	7.0
Interest income	2.0	-	0.5	2.5
Interest expense	-	5.0	-	5.0
PBT	13.5	-6.0	5.0	12.5
Tax	2.0	-	1.0	3.0
PAT	11.5	-6.0	4.0	9.5
Capital Employed	25.0	50.0	25.0	100.0
RoE	46%	-12%	16%	10%
Multiple at CMP	**20 PE**			
Price of stock	**190.00**	**(20x9.5)**		

Same example without US business in FY22

In Rs.	Indian business	US business	API/ROW	Consolidated
Revenue	30.0		20.0	50.0
EBITDA	12.0		5.0	17.0
Depreciation	0.5		0.5	1.0
Interest income	2.0		0.5	2.5
Interest expense	-		-	-
PBT	13.5		5.0	18.5
Tax	2.0		1.0	3.0
PAT	11.5		4.0	15.5
Capital Employed	25.0		25.0	50.0
RoE	46%		16%	31%
Multiple at CMP	**25 PE**	(higher due to >30% ROE)		
Price of stock	**387.50**	**(25x15.5)**		

Source: Internal Compilation

- The Indian Pharma Market (IPM) is a secularly growing segment with extremely high RoE due to the brands owned by pharma companies. We expect the market to continue to grow at 8%-10% in sales and mid to high teens in profits
- US generic market has gone through an earnings downcycle over past 4 years and has seen signs of earnings recovery. Better pricing and gain in volumes as competition may get crowded out could lead to better RoE of the business in coming years
- A ‘valuation-gap’ exists today in many companies where the poor RoE of US business is suppressing the overall RoE and valuation multiples. We expect this to reverse as US generic profitability improves
- We believe the consolidated valuation as of now lends a negative valuation to the capital guzzler (US generics) implying that this business may never turn positive and losses in the business may compound over time. This is highly unlikely and also unreasonable.

Current valuations imply a negative valuation for the US generics business. Giving a ‘0’ value to this lossmaking business and ascribing higher multiple to the stable domestic business (with higher RoCE) may translate to meaningful upside in relevant stocks.

IPCA Investment Strategy

(INRm)	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Domestic Sales	9,294	11,287	11,667	13,886	14,254	16,468	19,126	24,510
PAT	1859	2257	2333	2777	2851	3294	3825	5825
Domestic EPS	14.8	17.9	18.5	22.0	22.6	26.1	30.4	46.0
ex-DF sales	23,524	20,127	17,004	17,681	18,324	20,989	27,361	32,059
PAT	2931	281	-1402	-771	-710	854	2787	6800
ex-DF EPS	23.3	2.2	-11.1	-6.1	-5.6	6.8	22.1	46.5
Total EPS	38.0	20.1	7.4	15.9	17.0	32.9	52.5	92.5

- IPCA stock price fell ~50% by Aug-17 from highs of Feb-14 due to import alert in US business.
- While overall EPS for FY16 came in at Rs 7.4 (Rs 38 in FY14), the domestic business continued to deliver ~11% earnings CAGR. It was the ex-DF business which contributed negatively to the earnings.
- Our investment thesis was built around high conviction in the domestic business and international business to cut losses eventually. Domestic business delivered 13% earnings CAGR for FY16-18 while international business (ex-US) reached pre-import alert profitability. IPCA significantly cut opex for its US biz during this time.
- Stock was up 3x in Mar-20 from the lows of Mar-16

Source: Internal Compilation

Why Indian Healthcare ?

Unbranded Generics — Pricing pressure, regulatory issues and low RoEs sustaining for now

- Pricing pressure, low RoE and regulatory issues in US market makes it an avoidable investment for now. One off opportunities like Revlimid, inhaler sales and GLP-1 products get full multiples presenting exit opportunities.
- Due to lack of differentiation, the US and Western European market is completely commoditized. With supply of generics exceeding demand, pricing pressure is unlikely to wane anytime soon.

Branded Generics — High margin, low capex & steady cash flow business

- Branded generics has high sustainable cash flows, low capex & high RoE with high barriers to entry (8-10% growth & 40%-80% RoE)
- Increasing lifestyle related diseases, better diagnostics and affordability driven by Ayushman Bharat (affordability to expand from 150-200m individuals to 500-600m individuals over time)

APIs/CDMO/CMO — 'China + 1' a huge boost to API players

- Anti-China rhetoric could play out well for Indian API players. China exports ~USD40b worth of APIs vs ~USD4b from India. A 10% shift in demand can double India's API industry size. The BIOSECURE act in US seems to be a step in this direction.
- We look to invest more in companies that have sizable CDMO business with innovators vs generics, as the former revenue stream is sustainable and higher RoE.

Hospitals — Deep value pockets remain undiscovered

- Indian hospital players have incurred huge capex to increase capacity which is coming to an end (Mature hospitals RoE at ~20% vs consolidated 4%-12%)
- Post IND AS 116, investors have failed to appreciate that the valuation metric needs to shift to OCF from EBITDA or PAT.

Diagnostics — Low penetration to benefit organized players

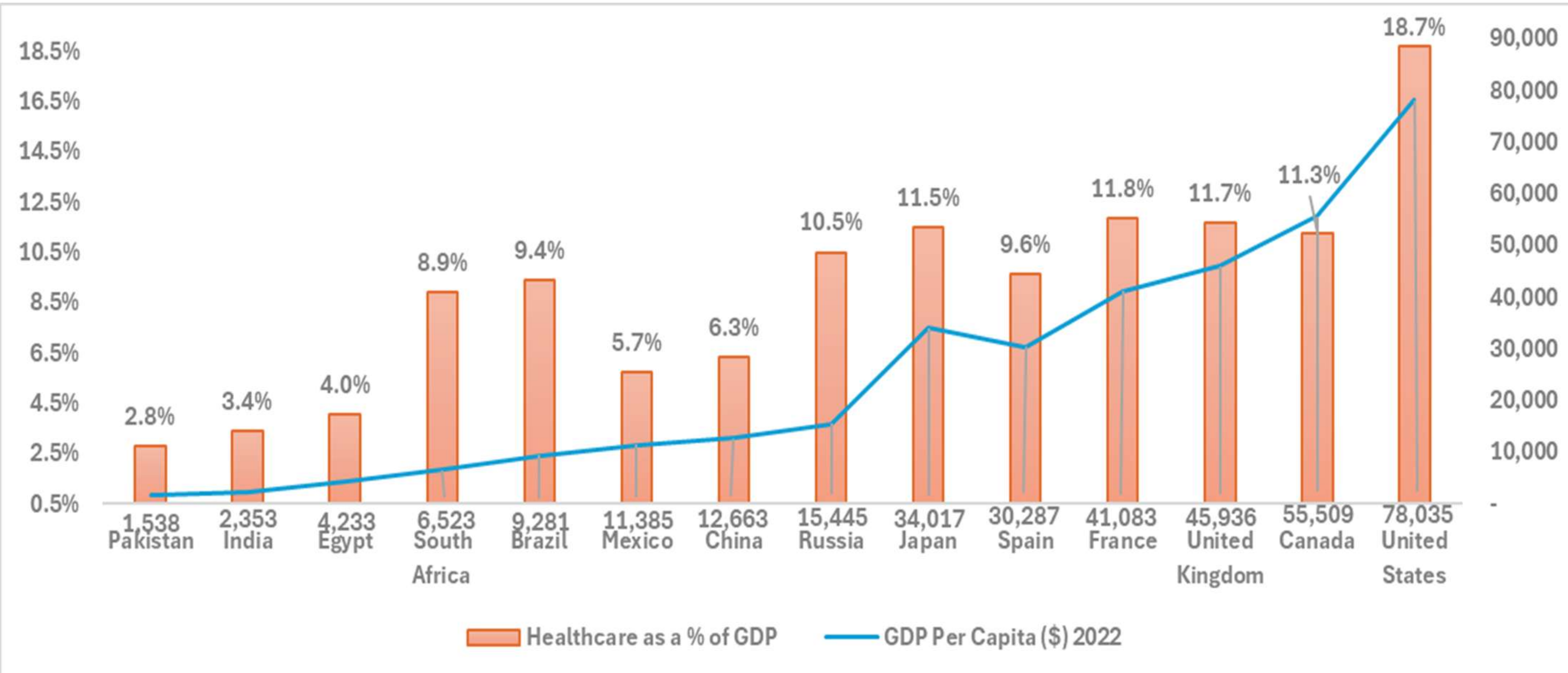
- Diagnostics is 85% being unorganized and only 2% of Indian samples are processed in NABL accredited Labs. With increase in health awareness, and quality of care, the organized players are expected to benefit the most.
- Broader market growing at 10% pa and organized gaining share. High RoE and low reinvestment needs.

Source: IQVIA, KPMG report, Internal

GDP & Healthcare Correlation

We observe that as GDP per capita increases, healthcare spend increases significantly. Developed economies have a very high expenditure on Healthcare as % of GDP vs developing economies.

This gives us comfort that there is significant headroom for growth in this sector for India.



Source : Secondary Research

15 Years at 8.6%

GDP per capita: USD 2,878

India

Healthcare spend per capita: USD78

GDP per capita: USD 9,964

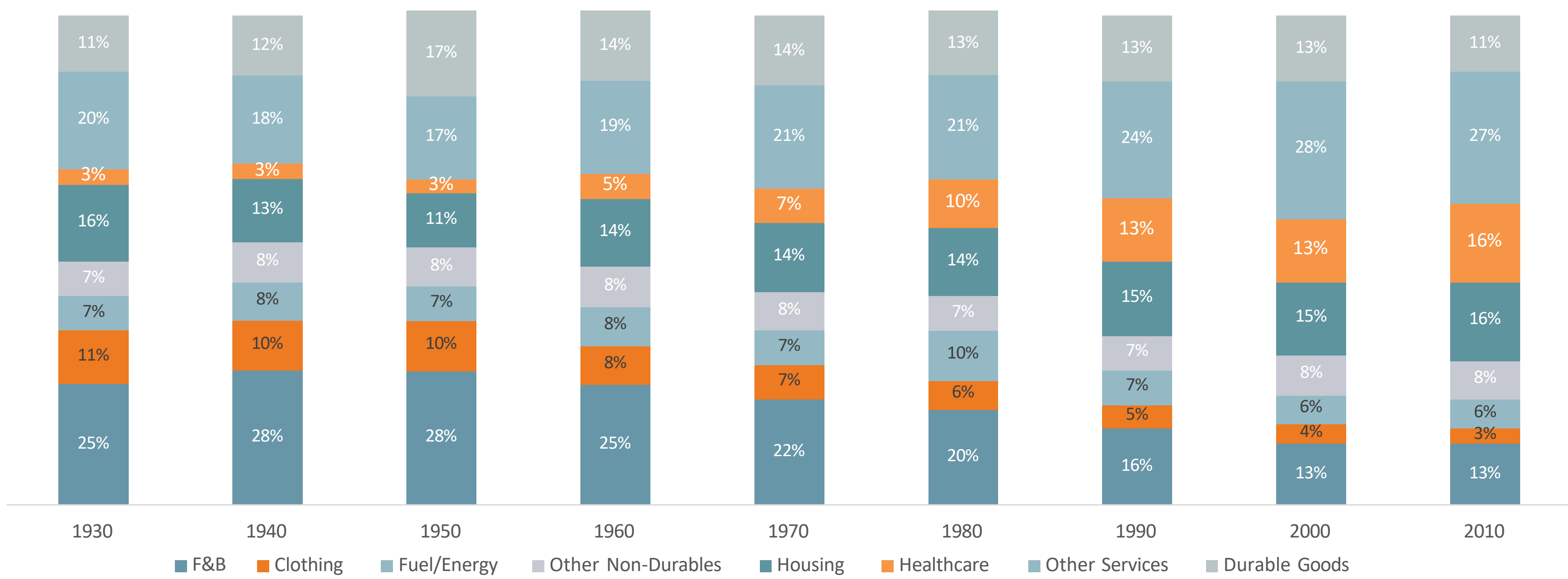
Brazil

Healthcare spend per capita: USD848

For India to equal Brazil's healthcare per capita spend, the industry must grow at 17.2% over the next 15 years

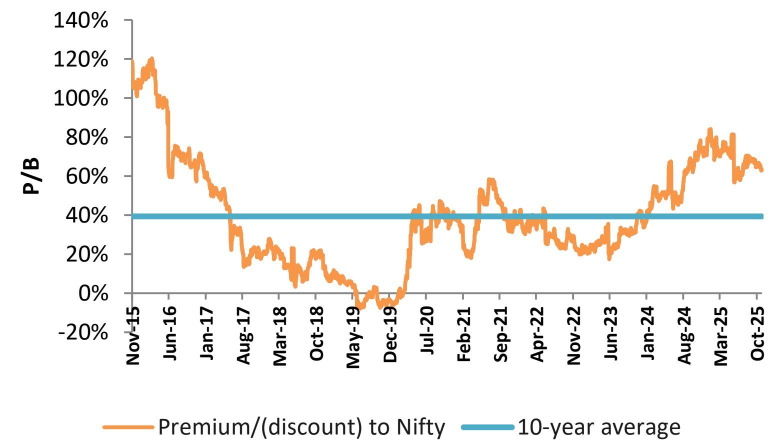
Source: I M F

Healthcare Growth Faster Than Economy

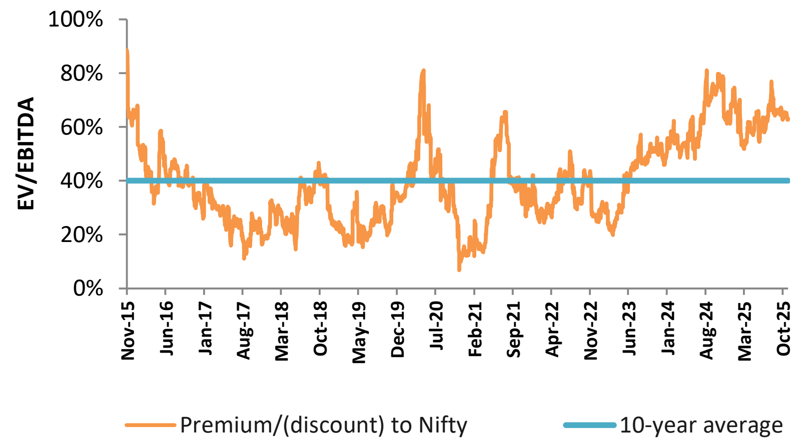


- In the US, Healthcare grew much faster than other sectors over the last century
- India current healthcare spend per capita is 3.5% of the GDP per capita which is where the US was in 1930's-1950's. We see huge runway for growth in healthcare as GDP per capita rises over the next few decades.

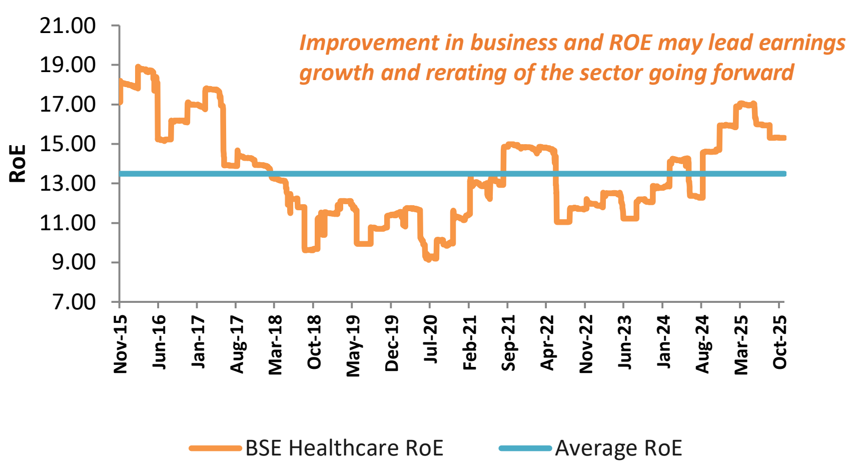
Source: Industry



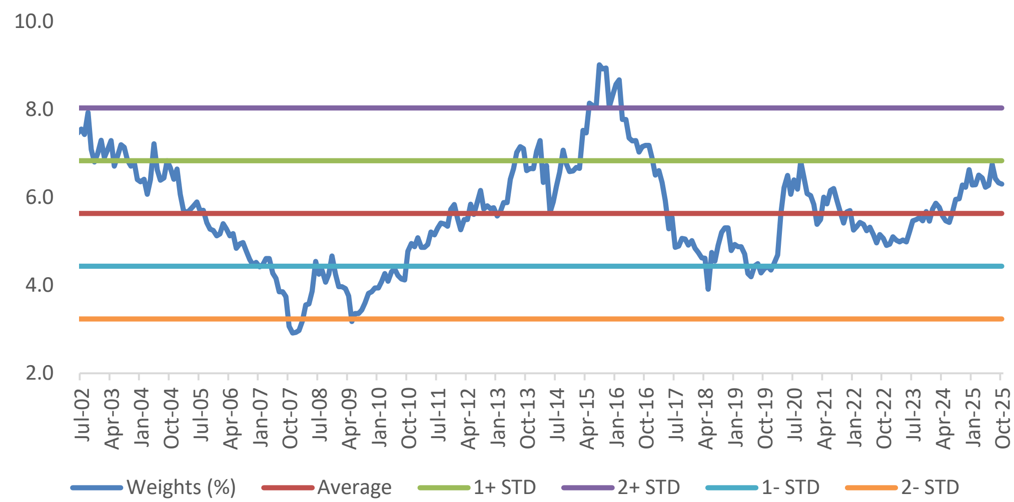
Trading at 63.2% premium to Nify vs 10–yr avg. of 39.4% and peak premium of 120.4%



Trading at 62.8% premium to Nify vs 10-yr average of 40.1% and peak premium of 87.6%



Healthcare Weight in NSE 500 (m-o-m) in % (Oct' 2025)



Source: Bloomberg | Data as on 31st October 2025 | * EBITDA – Earnings before Interest, Taxation, Depreciation and Amortization

Healthcare not a Sectoral Call

InCred Asset Management

Is a Healthcare PMS allocation a sectoral call? – We believe NOT.

How much should one allocate? – 10%-15% of equity portfolio is justified.

- Healthcare portfolio offers a solution that invests in 5 baskets of businesses.
- Upon closer examination, one can deduce that the portfolio in itself is a multi-cap diversified equity portfolio with exposure to 5 segments. The only difference is that consumption in healthcare in non-discretionary and secularly growing, whereas for these analogies, consumption is discretionary.

% of portfolio in	Same economic model as*	Avg. Of Competing funds (%)	BSE Healthcare (%)	Incred Healthcare PMS (%)
Hospitals	Branded Apparel Retail	14.6	18.5	28.9
Diagnostics	Quick service Restaurants	3.0	2.0	25.9
Generics	Metals and commodity	41.0	39.3	-
API / CRDMO	Chemicals, Industries	14.5	17.8	15.8
Branded Generics	FMCG	19.3	21.4	22.5
Others**		7.6	0.9	6.9
Grand Total		100	100	100

Healthcare is a sector in India, where the companies that you invest, are globally competitive.

Data Source: Computation: Internal. *Segments defined by InCred Healthcare Fund Manager
*To read on our thesis for like-to-like comparison, please refer slide 11. The above comparison is being provided for informational purposes, for model client vis-a-vis thematic mutual funds following healthcare and pharma theme as on 31ST October. The comparison is being provided for said 5 different healthcare sector segments, as defined by Fund Manager, to depict overweight/underweight stance under InCred Healthcare portfolio
**Others include 1) Allied Industries 2) Cash

Our thesis for like-to-like comparison

Hospitals	We believe that hospital companies work on similar business model as apparel retail segment, where hospitals have to open new units, track performance of existing hospitals and have similar economics as retail stores
Diagnostics	Just like QSR companies where per store economics, opening of new stores, etc. matter, diagnostic companies too have to open new centers, expand into newer markets
Unbranded Generics	In unbranded generics demand-supply determines the price, and hence we believe these companies do not have pricing power; similar to metals and commodity companies
API	Similar to industrials, API companies have huge capacity, higher utilization improves operational efficiencies, scope for China +1 strategy, have global cost leadership
Branded Generics	Branded generics is being considered like FMCG, as patients tend to prefer brands of reputed companies, have large distribution channel, have pricing power, marketing and promotional activities can drive sales

The above comparison is being provided for informational purposes, for model client vis-à-vis thematic mutual funds following healthcare and pharma theme. Data Source: Computation: Internal. The comparison is being provided for said 5 different healthcare sector segments, as defined by Fund Manager, to depict overweight / underweight stance under InCred Healthcare portfolio. Please refer disclaimers on next page

A Diversified Sector

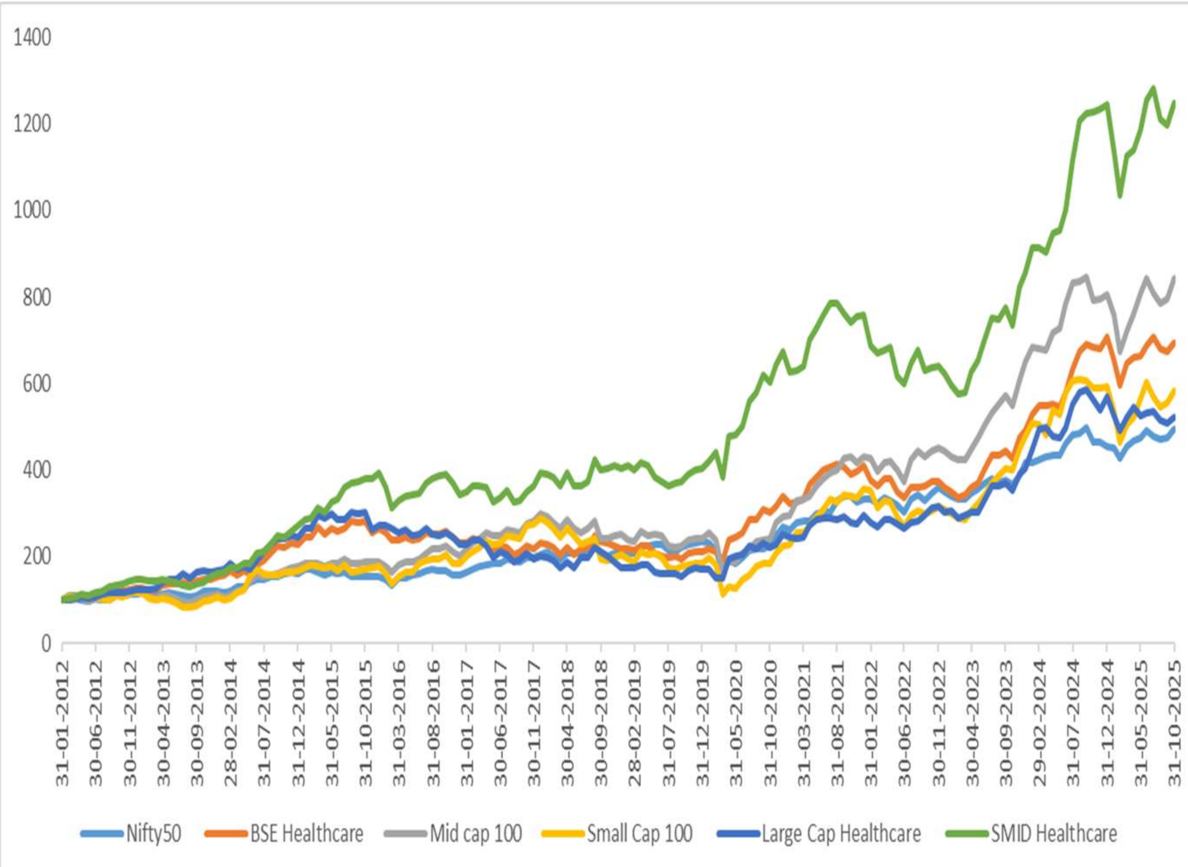
OCF Correlation	DRL	Torrent	Divis	Apollo Hospitals	Dr Lal	HUL	Ultratech Cement	Infosys
DRL	1.00	0.87	0.85	0.79	0.81	0.73	0.78	0.78
Torrent	0.87	1.00	0.71	0.61	0.64	0.55	0.57	0.60
Divis	0.85	0.71	1.00	0.86	0.96	0.89	0.92	0.91
Apollo Hospitals	0.79	0.61	0.86	1.00	0.93	0.93	0.95	0.92
DrLal	0.81	0.64	0.96	0.93	1.00	0.97	0.95	0.98
HUL	0.73	0.55	0.89	0.93	0.97	1.00	0.92	0.98
Ultratech Cement	0.78	0.57	0.92	0.95	0.95	0.92	1.00	0.94
Infosys	0.78	0.60	0.91	0.92	0.98	0.98	0.94	1.00

*OCF- Operating Cash Flow
The above companies are for illustration purposes only for explaining the above concept. The companies mentioned above may or may not form part of the Investment Approach/Product.

Healthcare Outperformance

InCred Asset Management

Is a Healthcare PMS allocation a tactical call? – We believe NOT.

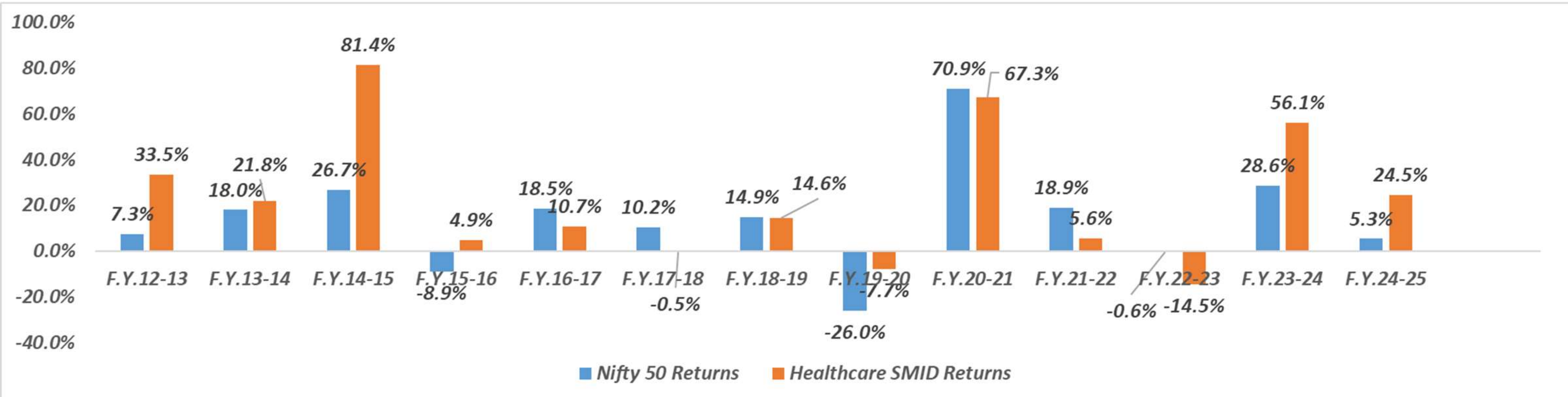


- Since 2012, the BSE Healthcare Index has outperformed Nifty by ~200 %
- Large cap healthcare companies outperformed Nifty50 (+27.6%), while underperformed BSE healthcare (-172%) during the same period.
- SMID Healthcare stocks have outperformed Nifty50 by 752 % and BSE Healthcare by 552 % during the same period.

Source: Investing.com; *We have defined stocks above INR 100bn market capitalization as large cap and rest of the companies as mid and small cap

Data from Jan-12 to Oct-25

Nifty vs SMID Healthcare – Sharpe Ratio



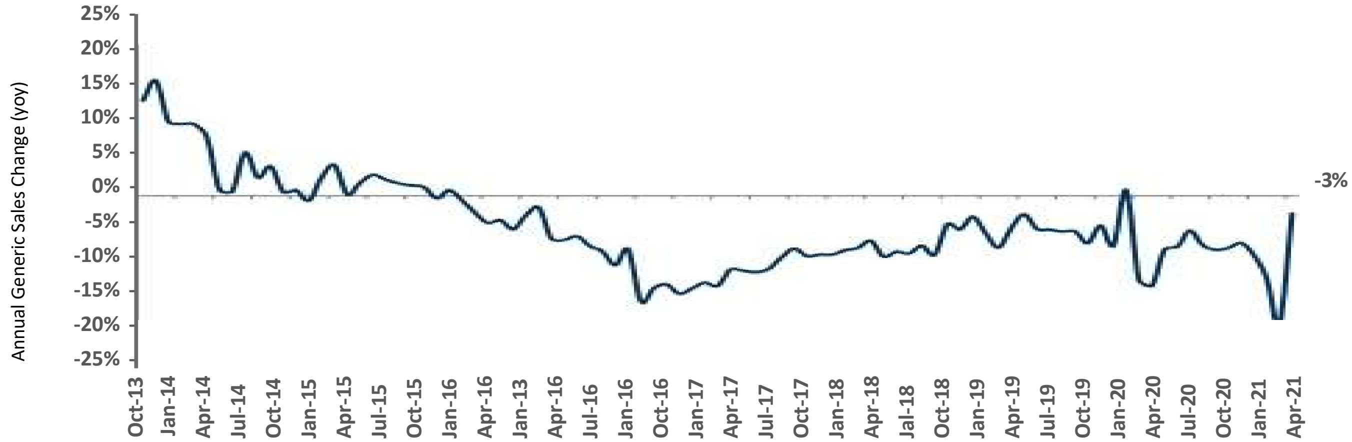
Data from FY12-FY25	NIFTY	SMID Healthcare	LARGE CAP Healthcare	BSE Healthcare
Average Returns	14.1%	22.9%	17.3%	18.7%
Standard Deviation	21.7%	28.2%	32.0%	30.7%
Sharpe Ratio	0.27	0.49	0.27	0.33

Source: Ace Equity.

Data from April-12 to March-25

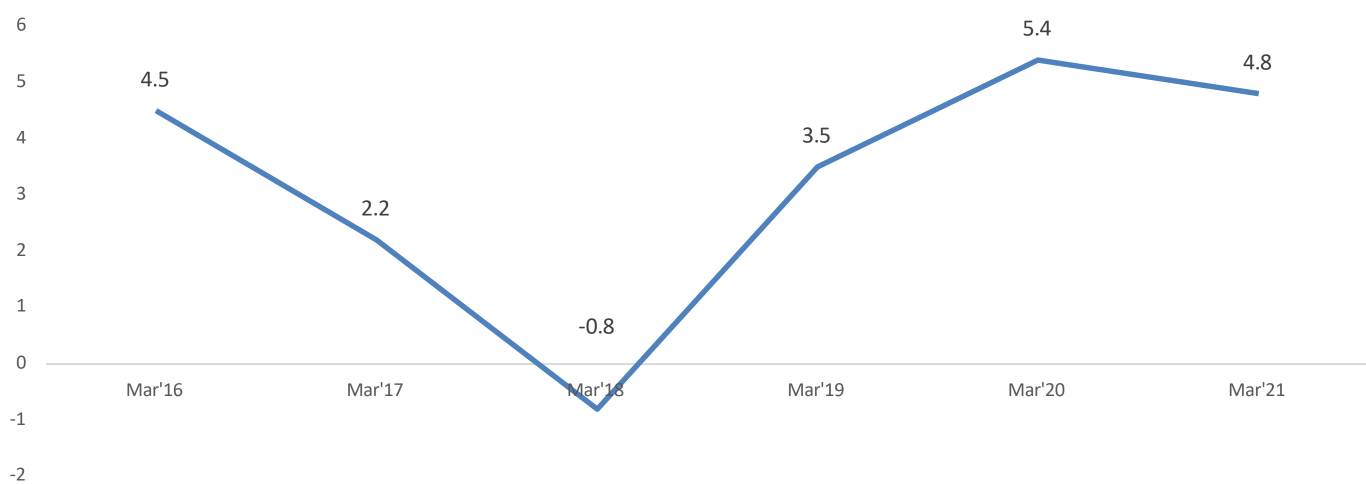
US: A Treadmill Segment

US Generic Price Erosion (%)



Source: IQVIA

Domestic Price Growth (%)



Source: AIOCD

Next Downcycle a Decade Away

InCred Asset Management

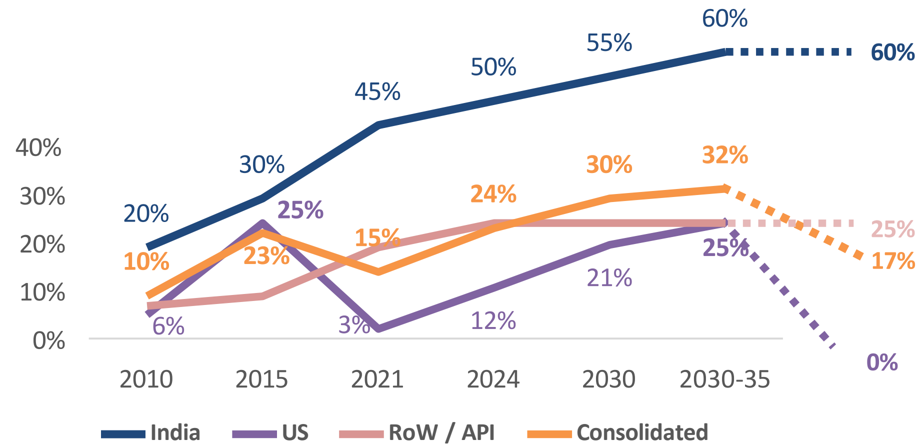
- Many investors believe that healthcare is a cyclical play taking cues from the upcycle between 2009-2015 and the downcycle thereafter. We dig deeper and try to address the concern!

- What happened? We discern that downcycle post 2015 started when US business RoEs reached ~25% levels. This is when the industry attracted high level of competition. Consequently, RoEs started to plummet, with US RoEs dropping to ~3% levels in FY21. Thus, BSE Healthcare peak RoE of 23% in FY15 fell to 15% in FY21

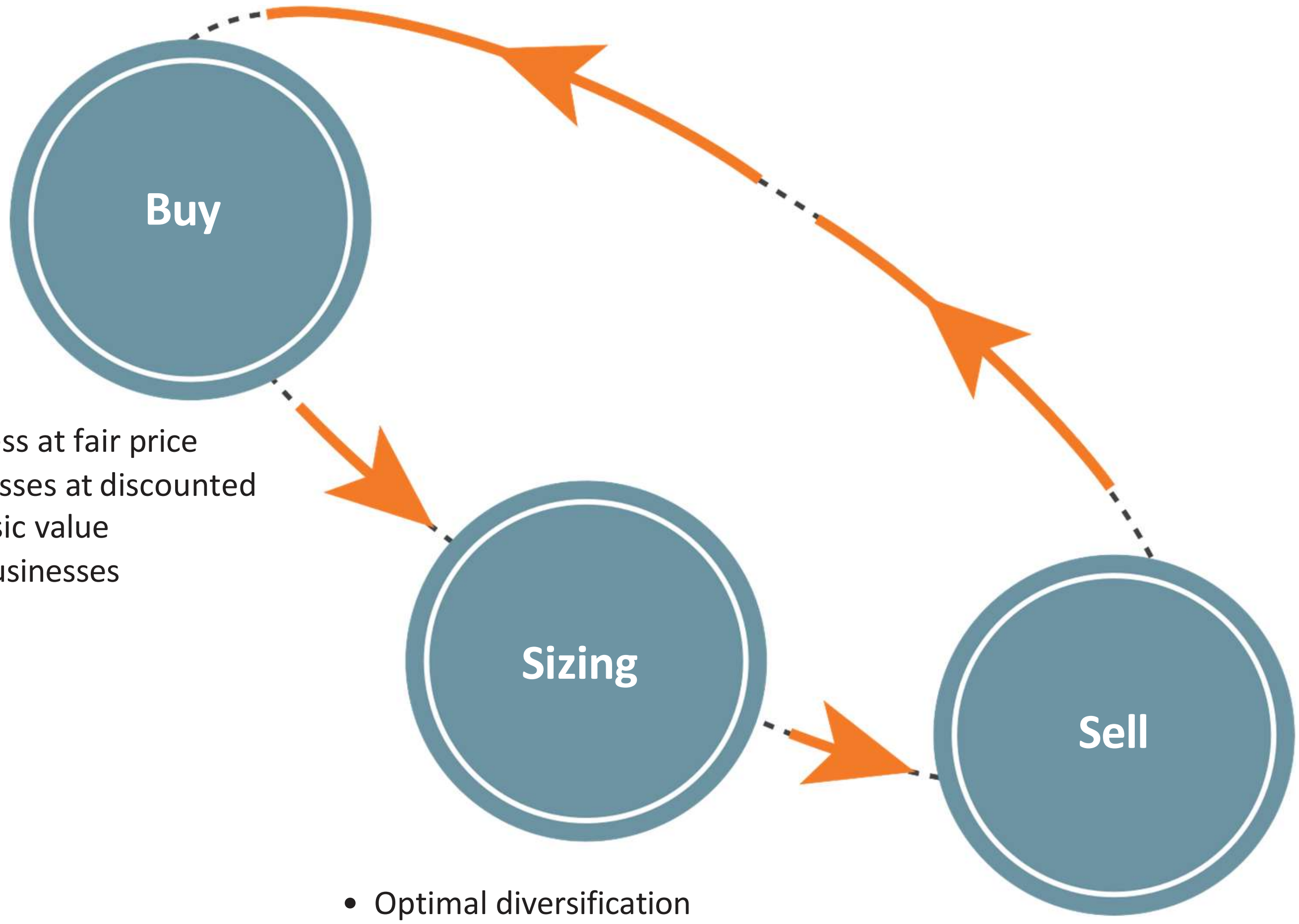
- How is it different this time? We notice that, while in 2015, RoEs of India business stood at ~30%, they were much better in FY21(~45%) and we expect them to peak out at ~60% levels somewhere around FY30-35.

  We also expect US to improve from ~3% to ~25% by then

- How it matters? With increased RoEs from India business, the consolidated RoE uptick this time may be much more immune. Thus, when US RoEs reach ~25% in 2030-35, and start to see a downcycle, the subsequent RoE impact may be much lower. According to our estimates, even if US RoEs go to zero, the overall RoEs might still be ~17% (~15% in FY21). _Even in a worst case scenario, RoEs should be better than what they are today!_



Decision Making Process



- "Great" business at fair price
- "Good" businesses at discounted value vs intrinsic value
- Avoid "Bad" businesses

- Optimal diversification
- Allocation base on conviction

- When incremental Upside-Downside ratio is unfavorable
- When the underlying business starts to deviate from the investment thesis

Framework Examples

Our Criteria	TORRENT	IPCA	DIVIS	AJANTA	SYNGENE	THYROCARE	JB CHEM	ALKEM	INDOCO
Quantitative									
RoIC v/s WACC	✓✓✓	✓✓	✓✓✓	✓✓✓	✓✓	✓✓✓	✓✓✓	✓✓✓	✓✓
Capital Structure	✓✓	✓✓✓	✓✓✓	✓✓✓	✓✓✓	✓✓✓	✓✓✓	✓✓✓	✓✓✓
Cash Flow Adequacy	✓✓✓	✓✓✓	✓✓	✓✓	✓✓✓	✓✓✓	✓✓	✓✓	✓✓✓
Covenants	✓✓✓	✓✓	✓✓✓	✓✓✓	✓✓✓	✓✓✓	✓✓✓	✓✓✓	✓✓
Growth	✓✓✓	✓✓✓	✓✓✓	✓✓✓	✓✓✓	✓✓	✓✓	✓✓✓	✓✓
Qualitative									
Competitive Advantage	✓✓✓	✓✓✓	✓✓✓	✓✓✓	✓✓✓	✓✓	✓✓	✓✓	✓✓✓
Pricing Power	✓✓✓	✓✓✓	✓✓✓	✓✓	✓✓	-✓✓	✓✓	✓✓	✓✓
Character of Management	✓✓	✓✓✓	✓✓	✓✓✓	✓✓✓	✓✓	✓✓✓	✓✓✓	✓✓
Alignment of Interest with Minority	✓✓✓	✓✓	✓✓	✓✓	✓✓	✓✓✓	✓✓✓	✓✓	✓✓✓
Dependence of External Variables	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓
Score	**27**	**26**	**26**	**26**	**26**	**21**	**25**	**25**	**24**

Maximum score can be 30

A score of 3 is granted if the company fulfills the Great Business parameters listed in the last slide. A score of 2 is given if the company fulfills the Good Business parameters and -2 is for Bad Business

ROIC : Return on Invested Capital; WACC Weighted Average Cost of Capital. The above examples are for illustration purpose only.
The companies mentioned above may or may not form part of the Investment Approach/Fund/Scheme.

Portfolio Performance

	IHP*	S&P BSE 500 TRI	Alpha (BSE 500 TRI)	BSE Healthcare Index	ALPHA (BSE Healthcare Index)
1 Month	7.3%	4.3%	3.1%	3.4%	3.9%
3 months	2.1%	3.7%	-1.6%	-1.8%	3.9%
6 Months	21.9%	8.3%	13.6%	5.9%	16.0%
1 Year	19.2%	5.3%	13.9%	2.0%	17.2%
2 Year	35.7%	19.6%	16.0%	28.5%	7.2%
3 Year	32.5%	16.2%	16.3%	23.8%	8.7%
Since Inception	22.2%	15.7%	6.5%	17.0%	5.2%

*IHP- InCred Healthcare Portfolio is offered under Equity Strategy in terms of SEBI circular dated Dec 16, 2022. Benchmark Index: BSE 500 TRI. Inception date of IHP: 15th February 2021. Data as on 31st October 2025. **Past performance may or may not be sustained in future and should not be used as basis for comparison with other investments.** Returns are composite of all the Portfolios aligned to the investment approach. Returns for individual client may differ depending on the timing of inflows and outflows of funds and/or differences in the portfolio composition because of restrictions and other constraints, if any. Returns for 1 year or lesser time horizon are absolute returns. Where last 3,4,5 year performance returns are not available, they have not been shown. Returns have been calculated using Time Weighted Rate of Return method (TWRR) as prescribed by the SEBI. Performance figures are net of all fees and expenses. The performance related information provided herein is not verified by SEBI nor has SEBI certified the accuracy or adequacy of the same. For performance details of other Portfolio Managers for similar strategy, please refer to https://www.apmiindia.org/apmi/welcomeiaperformance.htm?action=PMSmenu.

Portfolio Details

Top 10 Holdings

HEALTHCARE GLOBAL ENTERPRISES LTD	16.4%
THYROCARE TECHNOLOGIES LTD	11.9%
KRSNAA DIAGNOSTICS LTD	10.4%
JUBILANT PHARMOVA LTD	10.0%
RPG LIFE SCIENCES LTD	7.2%
ARTEMIS MEDICARE SERVICES LTD	7.1%
FDC LTD	6.5%
ASTER DM HEALTHCARE LTD	5.4%
JB CHEMICALS and PHARMACEUTICALS LTD	3.9%
VIMTA LABORATORIES LTD	3.6%

Market Capitalization

	IHP*	BSE Healthcare
Large cap	0.0%	37.4%
Mid cap	4.8%	33.3%
Small cap	88.2%	29.3%

Business Segment Breakup

	IHP*	Relative Weight
Branded Generics	22.5%	Overweight
API / CRDMO	15.8%	Underweight
Diagnostics	25.9%	Overweight
Hospitals	28.9%	Overweight
Others	0.0%	Underweight

*IHP- InCred Healthcare Portfolio is offered under Equity Strategy in terms of SEBI circular dated Dec 16, 2022. Benchmark Index: BSE 500 TRI. Inception date of IHP: 15th February 2021. Data as on 31st October 2025. **Past performance may or may not be sustained in future and should not be used as basis for comparison with other investments** The performance related information provided herein is not verified by SEBI nor has SEBI certified the accuracy or adequacy of the same. For performance details of other Portfolio Managers for similar strategy, please refer to https://www.apmiindia.org/apmi/welcomeiaperformance.htm?action=PMSmenu. All portfolio related holdings and sector data provided above is for model portfolio and these stocks forming part of the existing portfolio may or may not be bought for new client. Market Capitalisation is according to SEBI Classification which happens half yearly. Classification as on 30th June 2023

Maximizing risk adjusted returns

Scheme : 2 InCred Healthcare Portfolio
From 15/02/2021 to 31/10/2025

	Portfolio	S&P BSE 500 TRI
Absolute Risk		
Annualized Return %	22.16	15.68
Ann. Std. Deviation	17.08	13.22
Downside Risk		
Semi Deviation	3.64	2.76
Relative Risk		
R - Squared	0.31	1.00
Tracking Risk	4.22	0.00
Risk Adjusted Return		
Sharpe Ratio	1.26	1.16
M - Squared	16.61	15.39
CAPM Beta	0.72	1.00
Treynor	29.64	15.39
Jensen`s Alpha	10.32	0.00

Disclaimer

This document has been prepared by InCred Asset Management and for use only by the recipients to which it is addressed to. This document may contain confidential and/or privileged material and is not for any type of circulation and any review, retransmission, or any other use is strictly prohibited. Any information contained in this material shall not be deemed to constitute an advice, an offer to sell/purchase or as an invitation or solicitation to do for security of any entity or as an official confirmation of any transaction. This document has been prepared without regard to any individual financial circumstances or objectives of the recipients receiving this document. InCred Asset Management and its affiliates, employees, directors etc. shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use of this information. The recipient assumes the entire risk of any use made of this information. The information contained herein is obtained from publicly available data or other sources believed to be reliable and InCred Asset Management has not independently verified the accuracy and completeness of the said information and opinions and hence it should not be relied upon as such. Accordingly, no representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. We have included statements / opinions / recommendations in this document, which contain words, or phrases such as “will”, “expect”, “should”, “believe” and similar expressions or variations of such expressions, that are “forward looking statements”. Actual results may differ materially from those suggested by the forward-looking statements due to risk or uncertainties associated with our expectations with respect to, but not limited to, exposure to market risks, general economic and political conditions in India and other countries globally, which have an impact on our services and / or investments, the monetary and interest policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices etc. Recipients of this document should also be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. This document is subject to changes without prior notice. Recipients of this document should exercise due care and caution and read the Disclosure Document (if necessary, obtaining the advice of finance/other professionals) prior to taking any decision on the basis of this information which is available on www.incredassetmanagement.com.

General Risk Factors: Investments in Securities are subject to market risks and there is no assurance or guarantee that the objective of the investment approach/ product will be achieved. The past performance of the InCred Asset Management or any of its affiliates does not indicate the future performance of the investment approach/ product. There is no assurance that past performances will be repeated. Investors are not being offered any guaranteed or indicative returns by InCred Asset Management or its affiliates. Investment decisions or recommendations made by InCred Asset Management may not always be profitable, as actual market movements may be at a variance with anticipated trends.

InCred Asset Management Private Limited
Registered Office: Unit No 1203, 12th Floor, B Wing, The Capital, C-70, B Block, BKC, Bandra (E), Mumbai – 400051
Phone: +91-22-6844 6100, Fax: +91-22-4161 1508,
website: www.incredassetmanagement.com | **CIN**: U74999MH2019PTC322093CIN|
Portfolio Manager SEBI Regn: - INP000007140

Thank You