

MULTICAP Portfolio



InCred Group & InCred Capital Overview

InCred!
Borrow. With Confidence.



Consumer Loans



MSME loans

InCred!
Capital



Investment Banking and Structured Finance



Debt Broking and Capital Markets



Equities Research, Broking and Capital Markets



Wealth Management Domestic and International Wealth

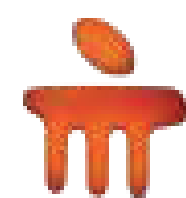


Asset Management + Alternative Investments

BACKED BY LEADING INVESTORS

oaks

INVESTCORP



memg
manipal education and medical group



ELEVAR EQUITY™



Founder & CEO



Bhupinder Singh
Founder & CEO - InCred Group

- Bhupinder Singh founded InCred Group in 2016 with InCred Finance starting in March 2016.
- He has a global track record of identifying and building successful businesses across Fixed Income, Credit, Equities and Investment Banking. Prior to InCred, he worked at Deutsche Bank for 16 years in various capacities, in London and Singapore.
- Most recently, he co-headed the Corporate Banking and Securities ('CB&S') of Deutsche Bank for the Asia Pacific region, based out of Singapore. In this capacity, he managed Deutsche Bank's Fixed Income, Equities and Investment Banking divisions and was a member of the global CB&S executive committee.
- He was also the Head of Corporate Finance division for Deutsche Bank in the Asia Pacific region managing the bank's corporate coverage, investment banking, capital markets, advisory and treasury solutions businesses.
- Prior to his move to Asia, he was the Global Head of Deutsche Bank's Fixed Income Structuring business based in London, covering all aspects of fixed income product structuring.

InCred Group Positioning and Strengths

Global Experience & Local Expertise

Management team at InCred group brings together significant global experience with domain expertise in local markets

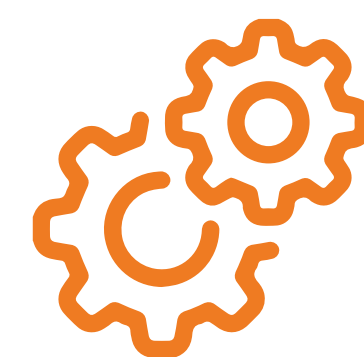
Group leadership team offers a unique combination of experience across multiple asset classes and businesses

Strong in-house proprietary research following a rigorous and holistic approach



Differentiated Products

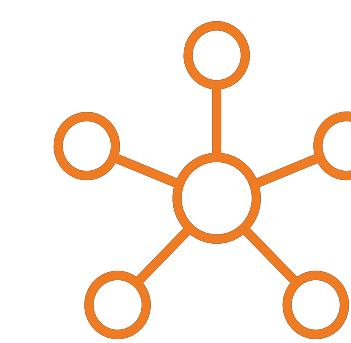
Differentiated product offerings covering a wide spectrum including long-only equity, long-short equity, quantitative asset allocation, structured debt, and unlisted equity



Benefit from Group Synergies

NBFC - Support on credit and industry understanding that helps us understand new trends in the business

Investment Banking - Access to corporate insights and understanding of deals supports in staying abreast of the corporate affairs and analytics



Offshore Relationships

Strong global network and relationships help to provide global markets perspective to enhance Indian strategies

International expertise and connections help offer strategies to Indian clients





Mrinal Singh

CEO & CIO – InCred Asset Management

- Over 2 decades of rich experience in Investment Management & Equity Research
- Formerly Deputy CIO – Equities of ICICI Prudential AMC- amongst the top fund management houses in India, where he was instrumental in setting up research processes, designing product strategy as well as for talent development
- He actively managed assets of INR 25,000 crores including some of the largest flagship funds for ICICI Prudential. Under his management the Value Discovery fund grew from INR 1,500 crores to INR 20,000 crores
- Has a track record of delivering industry leading returns through market cycles
- Has been awarded and recognized at various industry forums & consistently rated highly by Morningstar



Aditya Sood

Fund Manager

- Overall investment experience of 19 years in equity markets out of which 17 years in fund management.
- Global experience of managing emerging market equities in the United Kingdom.
- Formerly headed the investment function of ICICI Prudential PMS managing assets of over INR 4,000 crores
- He combines a philosophy of focusing on ‘Return of Capital’ along with “Return on Capital” and picked a high point in the market to close his PMS at ICICI Prudential and return capital to investors with a handsome profit
- Also spearheaded small / mid cap research at ICICI Prudential Asset Management

Manager Track Record

In Jan 2018, ICICI Prudential's PMS unit returned Rs. 700 crore to investors citing "extremely rich" valuations.

The decision to return investor money is in line with the philosophy that return of capital is also important along with return on capital

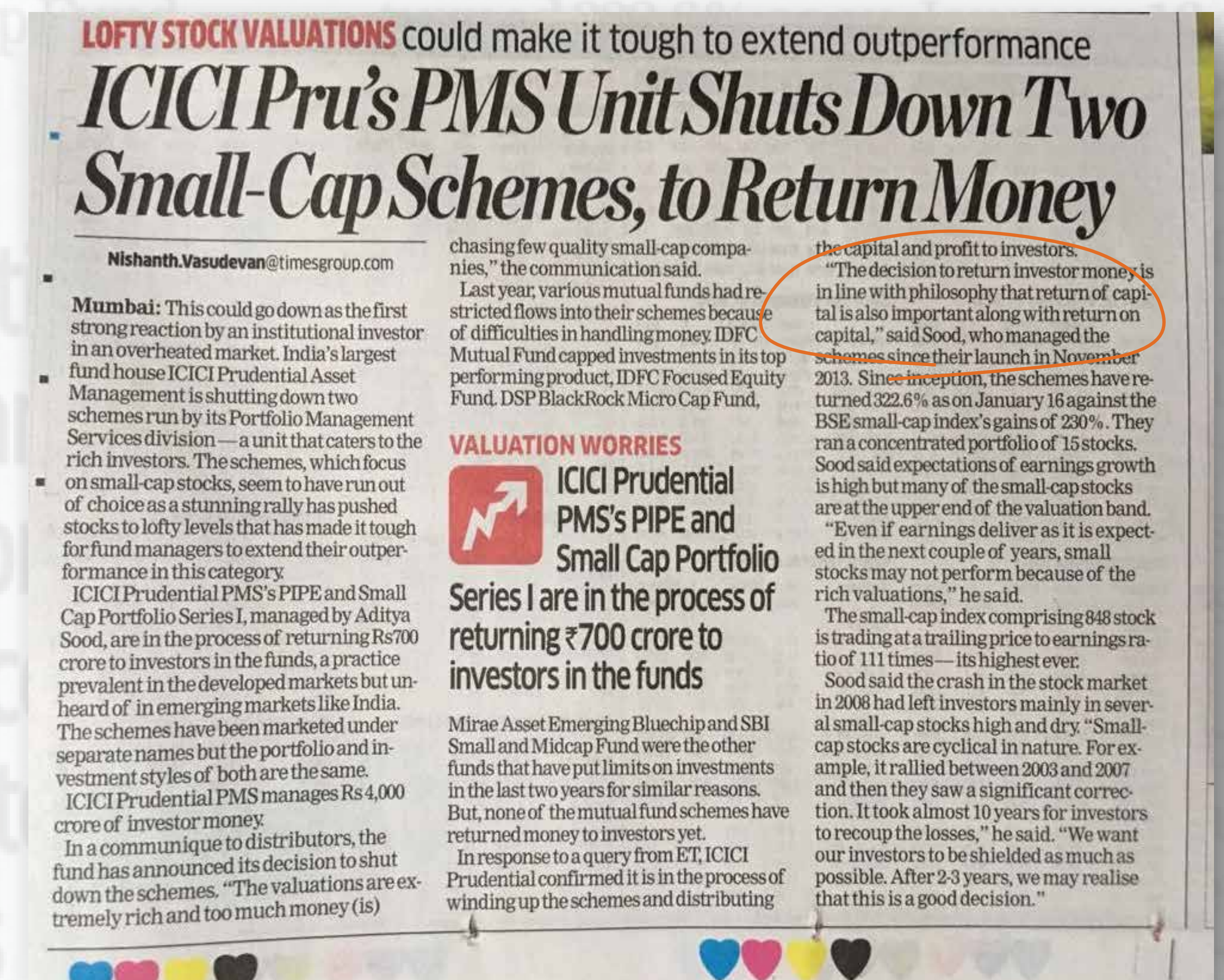
– Aditya Sood

Since inception the schemes have returned 322.6% as against the BSE smallcap index's gains of 230%

– Business Standard

This decision is more or less unheard of in the Indian context though it does happen more often in developed markets

– Business Standard





INVESTMENT PROCESS

Decision Making Process

- "Great" businesses at fair value
- "Good" businesses at a discounted value
- Avoid "Bad" businesses



- Optimal diversification
- Allocation based on conviction



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



Parameters of the Framework

	Great Business	Good Business	Bad Business
Quantitative			
ROIC vs WACC*	ROIC > WACC	ROIC = WACC	ROIC < WACC
Capital structure	Efficient capital structure	Average capital structure	Inefficient capital structure
Cash flow adequacy	Strong coverage	Adequate coverage	Weak coverage
Covenants	Appropriate	Average	Poor
Growth	Long runway and outperforms industry growth rates	Better than industry growth rate but can be volatile	Highly volatile, below industry growth rates
Qualitative			
Competitive advantage	Identifiable & sustainable	Identifiable but fading	Not detected
Pricing	Pricing power	Market pricing	Price taker
Character of management	Superior	Average	Poor
Alignment of interest with minority shareholders	Clear	Indistinguishable	Non existent
Dependence of external variables	Low dependence	Dependent	High dependence

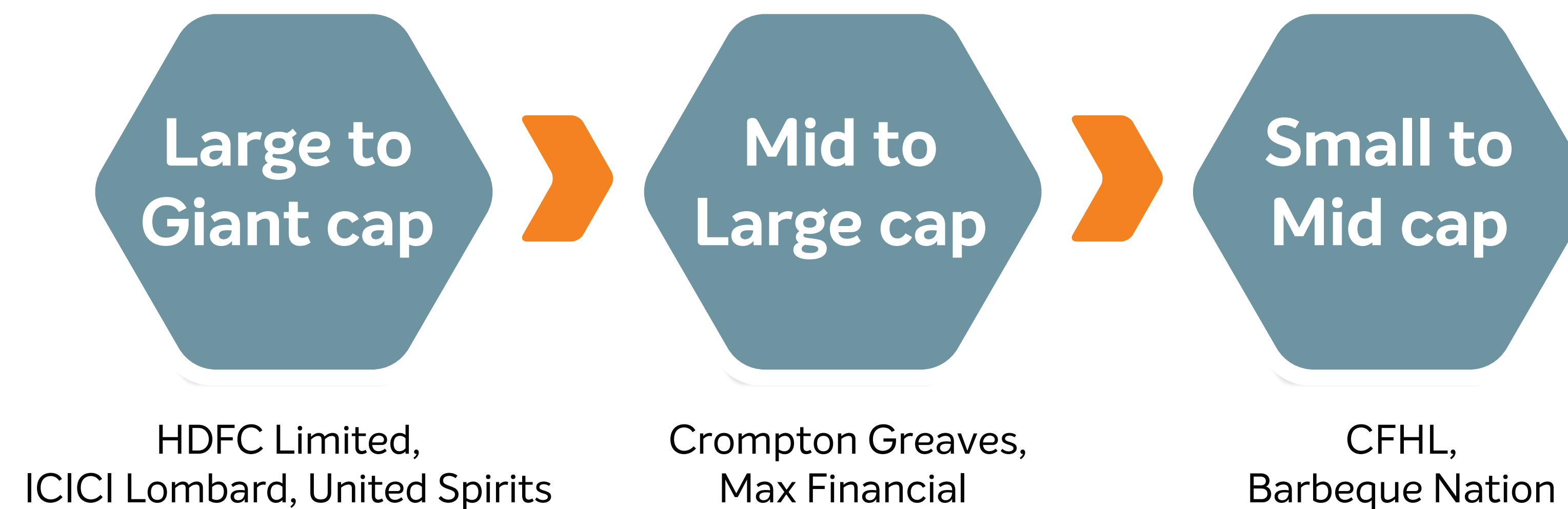
*ROIC = Return on Invested Capital ; WACC = Weighted Average Cost of Capital ; The above framework is for Illustration purpose



PORTFOLIO CONSTRUCT

Benefits of Multicap Portfolio

Market Cap Graduation → Multicap takes an advantage of opportunities across market cap sizes as companies move from one segment to the other segment



- Multi-cap strategy with an aim to capitalize on the valuation gap between small, mid, and large-cap segments.
- Mid- and small-caps stocks significantly outperform the market with good timing, stock selection, and holding period.
- It aims to invest in companies, which have the potential and are at the inflection point of graduating from small-cap to mid-cap, mid-cap to large-cap, and large-cap to giant-cap respectively.

Investment Themes

Value



While inflation and global macro uncertainties persist, recent market correction has created opportunities to invest in some great companies that are trading below their historic average valuations while fundamentals remain unchanged/are improving. At the other end of the spectrum, we have invested in well managed companies which display superior operating metrics but are still not well discovered. This additionally includes cyclical sectors like cement and autos where raw material, freight, chip prices etc., are correcting and at the same time demand is picking up.

India's Increasing Export Competitiveness



PLI, improving infrastructure and digitisation has put India in focus for global OEMs. Our labour arbitrage is even higher today. We seek to invest in companies which have globally competitive products and but have relatively low market share, making them viable challengers to incumbent players.

Changing Consumer Preferences



India's per capita income is at an inflexion point, where consumers seek lifestyle upgrade which is driving demand across industries ranging from healthcare to auto to consumer durables. We seek to invest in companies that operate in high growth segments and have superior value proposition for the consumers.

Corporate Restructuring



Some of our holdings offer significant upside potential from value unlocking, whether it is by way of a merger with significant revenue synergies or unraveling of holding company discount through organizational restructuring. Then there are companies where management change is improving capital allocation/ access to capital, leading to higher margins and ROIC.

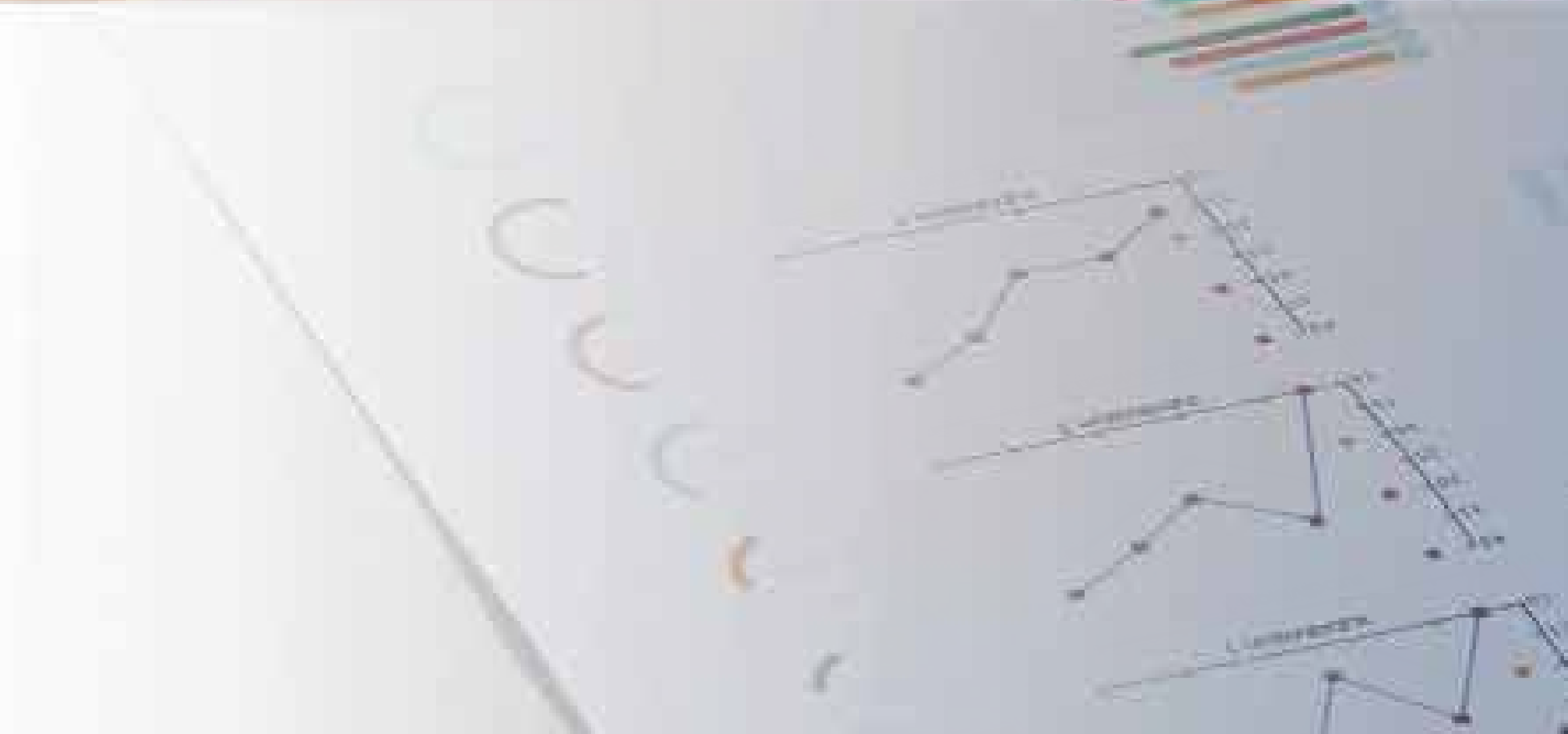
MNCs



MNCs (Multinational Corporation) have a sustainable competitive advantage on account of superior technical know-how (access to patented technologies), strong management teams (global talent pool), access to capital from the parent and a clean balance sheet. We also invest in companies that are leaders in niche sectors that offer a long runway to growth.



CASE STUDIES



High Conviction Idea | Tejas Networks Ltd.

- Tejas was founded as an optical networking (OTN) equipment manufacturer in 2000 and has been serving customers like Tata Power, Railtel, BSNL, Bharti and powergrid for over 10 years. **Despite its legacy, we estimate that Tejas currently had <10% market share in Indian OTN market in FY22 as Indian telcos have chosen NSN, Ericsson and Huawei traditionally.** Gols June 2021 directive of using 'trusted sources' only in networking equipment will help gain Tejas some market share. Proactive substitution was already underway. **The market itself is expanding as Bharti is playing catchup in fiber network expansion and all telcos are upgrading their mobile backhaul network with fiber to support 5G services. Tejas reported 154cr revenues in India private market in Q3'23 vs 222cr for the full FY22.**
- **Optical networking products are commoditized with low switching cost, which is an opportunity for companies like Tejas. Huawei still has c.20% market share outside China and US, which is exposed to substitution/sanctions.** Globally, OTN market is concentrated at the top but there's a long tail of regional players. Tejas used to white label for global optical networking equipment majors Ciena and NEC but made a strategic decision to exit that business due to margin concerns. We believe this is the opportunity that Tatas are targeting. Global companies also have product gaps, which opens opportunity to partner.
- Since the last 3-4 years, Tejas has been developing in house wireless RAN products and is the frontrunner in BSNL's large 4G tender, which could be a 5-10k crore TAM on the radio network side. We expect Tejas to win a large part of this contract as it has bid through both TCS and ITI. **BSNL's 4G win could give it enough operating leverage to invest in R&D and SG&A for international expansion. The company has doubled its R&D headcount YTD.**

High Conviction Idea | Neuland Laboratories Ltd.

- Neuland is a pure play manufacturer with 42–45% contribution from generic API, 22% from specialty API and ~33% from CSM.
- We believe Neuland is in a sweet spot given that global and Indian pharma players are looking at China+1 strategy for sourcing raw material. To cater to the increased demand, the company has invested in additional capacities (Unit-3) which will provide for strong growth over the next few years.
- Over the last 4 years the company has added 27 molecules in its CMS segment (57 in 3QFY19 to 81 in 3QFY22) across the pre-clinical to development and commercial stage. Hence, Neuland is also a second derivative play on pharmaceutical innovators.
- We expect Prime API business to see some weakness however, expect healthy momentum in the specialty API segment where they have Injectable, ophthal, sterile injectable products in pipeline. Also, with input cost still at elevated levels and increase in expenses from commercialization of unit 3, profitability will remain under check in the medium-term.
- We expect revenue CAGR of ~15% over FY22–25E. RoE is expected to improve to 14.5% in FY25E from 7.6% in FY22. The stock is currently trading at 7x FY24 EV/EBITDA and 5x FY25 EV/EBITDA, we value the company at 12x EV/EBITDA

High Conviction Idea | Finolex Cables Ltd.

- Finolex Cables is one of the oldest producers of Wires & Cables in India. The size of the Wires & Cables industry is pegged at INR 40,000 Cr and Finolex has 6% market share.
- From 2015 to 2021, as per KPMG the real estate sector has not witnessed any growth. Finolex which derives 50% of its revenues from the real estate sector witnessed only 2% CAGR in sales growth during the same period. With the sector seeing improving prospects, we see growth reviving for Finolex.
- The company has increased its distributors to 600 from 500 a year ago. Also, the retail touchpoints are now at 1.25 lakhs from 90,000 a year ago. Distribution is key for any durable company and the company is taking right steps to revive growth in the company.
- In 2016, the company had ventured into production of FMEG products such fans, water heaters, and switchgears. The business is generating 200cr of revenues and has reached breakeven level at EBIT level. We believe that it can now turn profitable and would be margin accretive incrementally.
- Over last five years, the stock underperformed due to real estate demand being weak, consolidation in telecom sector leading to slowdown in CAPEX by telecom companies, and the settlement between the two of brothers of the promoter group.
- The company has market capitalization of 8500 Cr (as of 31st December 2022) and trading at 19x TTM PE. With real estate cycle picking up and telecom CAPEX also increasing going ahead we feel the company can compound earnings in double digits for next three years. It also has 2000cr of cash on books (as of 31st December 2022).

Performance

Performance

RETURNS	IMP*	BENCHMARK S&P BSE 500 TR	ALPHA
1 MONTH	5.8%	4.3%	1.5%
3 MONTHS	27.0%	13.1%	13.9%
6 MONTHS	23.6%	6.8%	16.8%
1 YEAR	39.0%	24.0%	15.0%
2 YEARS	10.6%	11.7%	-1.1%
SINCE INCEPTION	13.5%	13.3%	0.2%

Market Capitalisation

	IMP*	BENCHMARK
LARGE CAP	18%	78%
MID CAP	3%	15%
SMALL CAP	79%	8%

*IMP- InCred Multicap Portfolio

InCred Multicap Portfolio is an Investment Approach /Product offered under Equity Strategy in terms of SEBI circular dated December 16, 2022. Inception date of the InCred Multicap Portfolio: 18th February 2021. Data as on 30th June 2023. Performance figures are net of all fees and expenses. InCred Multicap Portfolio 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 performance for last 3,4,5 year returns is not available for the Investment Approach, the same have not been shown. Returns have been calculated using Time Weighted Rate of Return method (TWRR) as prescribed by the SEBI. 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, 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.

Sectoral Analysis

SECTORS	%WEIGHT	OVERWEIGHT / UNDERWEIGHT
CONSUMER	25.3%	OVERWEIGHT
FINANCIAL	24.7%	UNDERWEIGHT
HEALTHCARE	15.7%	OVERWEIGHT
TECHNOLOGY	10.6%	OVERWEIGHT
AUTO & AUTO ANCILLARY	8.5%	OVERWEIGHT
TELECOM	6.5%	OVERWEIGHT
INDUSTRIAL	4.6%	OVERWEIGHT
CHEMICALS	1.6%	UNDERWEIGHT

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InCred Capital Wealth Portfolio Managers Private Limited (formerly known as BSH Corporate Advisors and Consultant Private Limited)

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Thank You

High Conviction Idea | Intellect Design Ltd.

- Intellect design makes software for the financial services industry, which has the lowest penetration of application software at around 30%.
- **The company is increasing its win rates against top tier, including in Western markets** and also gaining traction among fintechs. Notably, Temenos itself has recognized Intellect as a key competitor in its public disclosures.
- **In 9M'23 intellect grew 20% yoy vs -2% for Temenos in calendar 2022 and +7% for OFSS, because of its lower on-premise license revenue base, which is getting replaced by SaaS/on-premise subscription licenses.**
- Intellect is going through a transition phase where its on premise license revenues (14% contribution) will decline, which will be partly offset by growing SaaS revenues (23%) leading to decleration in revenues and negative operating leverage. However, the company's products are well positioned vs top tier and over the medium term we believe it will continue to gain market share.
- **Being a software company, intellect offers superior EBITDA margins despite low scale (25% at US\$230m revenue level in FY22) vs traditional IT services and ROIC of 25%.**