

# Gateway to India Fund

DECEMBER 2021



## Net Asset Value

The Net Asset Value (NAV) per Class A US\$ share as at 31 December 2021 was US\$262.66. In December the NAV was up 2.62% whilst the S&P BSE-500 was up 3.38%. In local currency, the NAV was up 1.55%.

## Portfolio activity

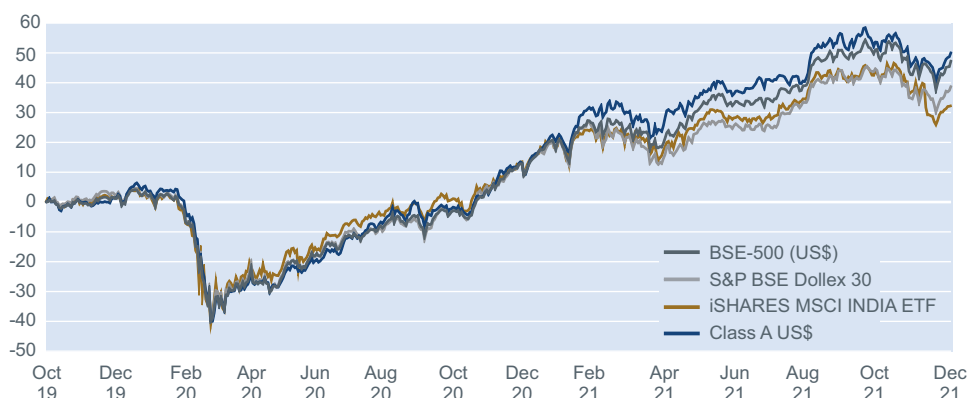
**New purchases** Tech Mahindra, Welspun India  
**Exits** Crompton Greaves Consumer Electricals

## Holdings in focus

**Emami** is a leading FMCG player in India with a presence in the health, beauty, and personal care space that spans over 30 years. It has created strong entry barriers through its track record of identifying and creating niche product categories and then dominating them. With ~45% of its sales coming in from health and wellness related products, Emami is well placed to benefit from the growing health consciousness amongst customers in the post Covid world. To capitalise on this, Emami has launched new products that focus on health, hygiene, and immunity under its flagship brands Boro Plus and Zandu, which contributed 4% of sales in FY21. Emami has increased its direct distribution reach to 950,000 outlets and aims to cover 32,000 villages over the next three years, garnering a higher share of rural India. Driving a digital-channel sales mix has been rewarding for Emami, with sales contribution up 400bps YoY to 5%, of which 20% was contributed through the company's recently-launched portal. Management hopes to take this channel's contribution to around 7% of sales in the next year. A gross margin of 67%, a net cash balance sheet, and strong free cash flow generation provides enough firepower to aggressively spend on advertising to increase penetration and gain further market share. We believe Emami's management has been pro-active, capitalising on the opportunities arising from Covid, and we expect double digit revenue and profit growth CAGR over a 3 year period. Trading at an FY23 PE of 27x, a 14% discount to its 5 year average, valuation remains attractive.

**Tech Mahindra (TechM)**, part of the Mahindra group, is India's fifth largest IT services company with revenues of US\$5.1bn in FY21 and employees numbering over 141,000. It started as a JV with British Telecom (BT) until it acquired Satyam Computer in 2009 and entered the enterprise (non-telecom) segment. As such 60% of revenues are now from manufacturing, BFSI, technology and media, and retail and logistics. It underperformed its large cap peers over the last five years as telecom capex slowed after 4G adoption. We believe capex spending on 5G is at an inflection point and TechM by virtue of its leadership position will be one of the largest beneficiaries. Post-Covid, global telecom companies are increasing capex on 5G, cloud migration and core modernisation, driving growth for TechM. 5G revenues have already increased to US\$110m a quarter (as of Sep-21) versus US\$100m a year in the last 6 months. In the enterprise segment, adoption of digital services by enterprises is gaining scale and growing faster than ever. TechM utilised Covid-led disruption as an opportunity to restructure operations and improving operating metrics. In the last three quarters, deal wins have averaged \$800m a quarter versus \$450m previously. A global focus on offshoring has led to a higher utilisation of TechM's resources leading to a 500bps improvement in margins over the last six quarters. This looks sustainable as growth continues to accelerate. We forecast 14% revenues and 16% earnings CAGR over FY21-24. This has upside risk as 5G adoption picks up further. TechM trades at 24x FY23 and 21x FY24 earnings with an ROCE of ~24% and FCF yield of ~3.5%.

## Class A US\$ performance since October 2019 (%)



Source: Ocean Dial Asset Management Limited, Bloomberg

## Performance (%)

	1m	3m	6m	1yr	31/10/2019**
Class A US\$*	2.6	(0.7)	9.8	29.2	50.2
S&P BSE-500 US\$***	3.4	(0.6)	11.0	27.9	47.5
S&P BSE Dollex 30	3.2	(1.5)	11.3	20.1	38.9
iSHARES MSCI INDIA ETF	(3.5)	(5.9)	3.6	14.0	32.3

\* Class A US\$ was launched on 10 September 2012. \*\* Commencement of Portfolio Adviser Tridib Pathak.

\*\*\* With effect from 1 July 2020, S&P BSE-500 Index is the Fund's benchmark.

Source: Ocean Dial Asset Management Limited, Bloomberg

## Fund information

Structure	UCITS ICAV
Domicile	Ireland
Dealing	Daily
Size (NAV)	US\$34.6m
Launch date	10 September 2012
Adviser start	31 October 2019
Portfolio Manager	Ocean Dial Asset Management
Principal Adviser	Tridib Pathak
Benchmark	S&P BSE-500 Index
Class K AMC / Performance fee	0.45% / 20.00%
Class Q AMC / Performance fee	0.90% / 0.00%
Currency classes	US\$, GBP, EUR

## Portfolio characteristics

Number of holdings	25
5 and 40 rule	38.9%
Median market cap	US\$6.4bn
PE FY23E	24.1
ROE (3y avg)	19.0%
Tracking Error	6.3%
Active Share	74.6%

## India highlights

	MTD	YTD
BSE 500 (US\$)	3.4%	27.9%
iShares MSCI Asia ex-Japan (US\$)	1.1%	(5.7%)
iShares MSCI EM Index (US\$)	1.5%	(3.6%)
INR vs US\$ [stronger/(weaker)]	1.1%	(1.7%)
FII Net flows (US\$m)	(2,439)	3,846
DII Net flows (US\$m)	4,853	12,540

## Macro indicators

CPI inflation (November / 3m avg)	4.9%	4.6%
GDP Q2 FY22		8.4%
Current account/GDP Q2 FY22		(0.5%)

Source: Ocean Dial Asset Management Limited

## Team commentary

11 January	<a href="#">Monthly Book Review - Cryptonomicon by Neal Stephenson</a>
10 January	<a href="#">ICGF Redemption Facility Announcement</a>
5 January	<a href="#">ODAM announcement - Appointment of Swati Jain as Global Head of Sales and Distribution</a>
9 December	<a href="#">Hoodinar: India - From recovery to lift off.</a>
8 December	<a href="#">Monthly Book Review - Invested by Charles Schwab</a>
10 November	<a href="#">Monthly Book Review - Big mistakes: The best investors and their worst investments</a>

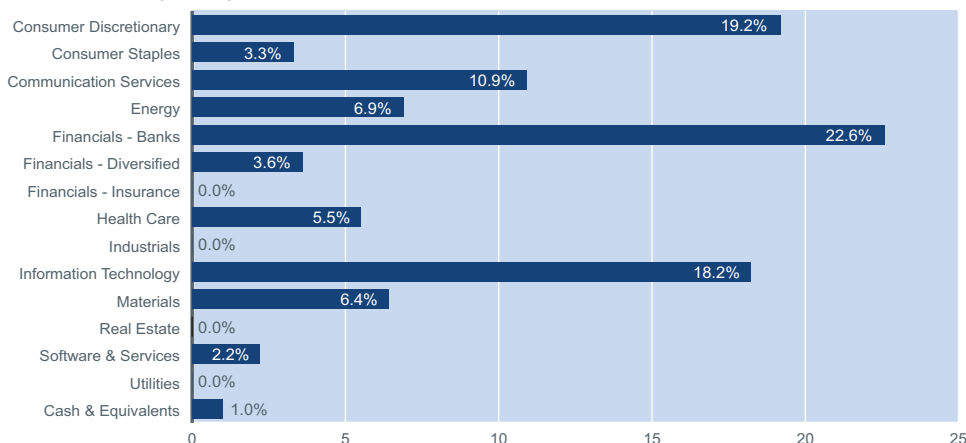
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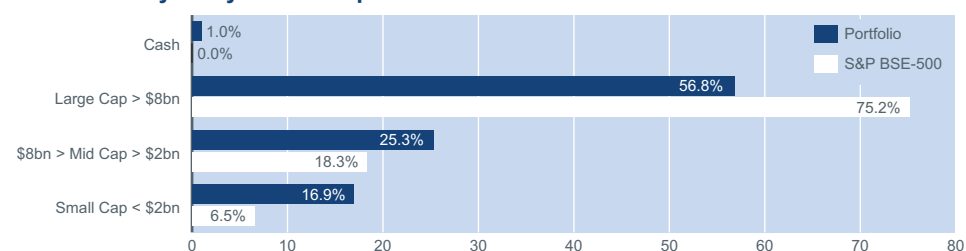
## Top ten holdings

Portfolio Company	Weight	Characteristics	Market cap
HCL Technologies	7.3%	IT services company benefitting from 'digital transformation' of businesses globally	US\$48bn
Bharti Airtel	6.9%	Strengthened survivor in a consolidating market, set to grow ARPU and market share going forwards	US\$52bn
Reliance Industries	6.9%	Business transformation of India's largest company into a new economy play	US\$216bn
ICICI Bank	6.8%	Second largest private sector bank, attractively valued, well poised to capture recovery in credit growth	US\$69bn
Wipro	6.0%	IT services company benefitting from 'digital transformation' of businesses globally	US\$53bn
KPR Mill	5.1%	India's leading cotton textile manufacturer benefitting from a realignment of global supply chains away from China	US\$3bn
Indusind Bank	4.7%	Fifth largest private sector bank in India and poised to gain market share. Value play with ebbing asset quality concerns	US\$9bn
Westlife Development	4.1%	McDonald's in India, beneficiary of growing fast food and delivery consumption trend in India	US\$1bn
Dixon Technologies	4.0%	Dominant player in an emerging Indian Electronic Manufacturing Services industry with structural tailwinds	US\$4bn
Affle India	4.0%	India's leading advertising technology company with high growth and profitability	US\$2bn

## Portfolio analysis by sector



## Portfolio analysis by market capitalisation



Source: Ocean Dial Asset Management Limited, Bloomberg

## Quarterly attribution – 3 months to 31 December 2021 (%)

Top 5	Ave. weight	Ave. index weight	Return	Contribution
KPR Mill	4.33	0.04	57.29	2.16
Wipro	5.39	0.86	12.74	0.71
Dixon Technologies	3.82	0.15	19.39	0.65
HCL Technologies	6.09	1.14	3.88	0.40
ICICI Bank	6.73	4.53	5.54	0.33
Bottom 5	Ave. weight	Ave. index weight	Return	Contribution
Emami	3.36	0.10	(8.99)	(0.32)
Computer Age Management Services	2.42	0.05	(11.93)	(0.33)
Axis Bank	3.84	1.74	(11.54)	(0.51)
Can Fin Homes	4.03	0.05	(19.32)	(0.87)
Indusind Bank	5.60	0.55	(20.17)	(1.35)

Source: Ocean Dial Asset Management Limited, Statpro

## Principal Adviser



Tridib Pathak joined Ocean Dial in October 2019 having spent the last 30 years immersed in the Indian equity markets, the last 21 as an institutional portfolio manager. Most recently he was Senior Portfolio Manager at Enam Asset Management where he managed open ended funds for both domestic and international investors. Prior to that Tridib held senior fund manager roles at IDFC and Lotus and was a senior analyst at UBS Securities (India). He is a Chartered Accountant of the Institute of Chartered Accountants of India and holds a degree in Commerce from Bombay University.

## Investment philosophy

The investment manager believes that in India, optimal returns will be generated over time by investing in companies that are well placed to benefit from the structural growth potential of the Indian economy, combined with the highest quality of management best able to exploit this opportunity. The fund uses a consistent and disciplined bottom up stock picking process to select investments from our best ideas, unconstrained by a benchmark.

## Fund manager

Ocean Dial Asset Management Limited is authorised and regulated by the Financial Conduct Authority.

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London WC2N 6DF

## Regulatory information

Any views expressed within this factsheet are those of the Fund Manager as at the date of issue which may be subject to change, and should not be taken as advice to invest. We do not undertake to advise you as to any changes in our views. If you are unsure about the suitability of any investment, please consult a Financial Adviser. The Gateway to India Fund is a sub-fund of Ocean Dial Investment Funds ICAV, an Irish UCITS investment vehicle.

## Prospectus and application form

The Prospectus and Application Form are available by telephoning the Fund Administrator, Apex Fund Services (Ireland) on +353 1 411 2949.

## Dealing information

Frequency	Daily
Valuation point	13:30 T-1 (Ireland)
Dealing line	+353 1 411 2949
Class A ISIN	IE00B585S747
Class A Ticker	ODGTIAU ID

## Website

[www.oceandial.com](http://www.oceandial.com)

## Important information

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Ocean Dial Gateway to India Fund (the "Fund") is a sub-fund of Ocean Dial Investment Funds ICAV that is authorised by the Central Bank of Ireland as an Undertaking for Collective Investment in Transferable Securities under the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (S.I. 352/2011), as amended. Ocean Dial Asset Management Limited ("Ocean Dial") has prepared this document for informational purposes only for the sole use of the intended recipient. It does not seek to make any recommendation to buy or sell any particular security (including shares in the Fund) or to adopt any specific investment strategy. This document does not contain information material to an investor's decision to invest in the Fund. Shares in the Fund are offered only based on information contained in the Prospectus, KIID, and the latest annual audited accounts. Copies are available free of charge from Ocean Dial or on <https://www.oceandial.com/strategies/gateway-to-india-fund/>. The KIID is available in English, French, German, Norwegian, and Swedish. The Prospectus is available in English.

**Risk:** Factors affecting fund performance may include changes in market conditions (including currency risk) and interest rates, as well as other economic, political, or financial developments. The Fund's investment policy allows for it to enter into derivatives contracts. Leverage may be generated through the use of such financial instruments and investors must be aware that the use of derivatives may expose the Fund to greater risks, including, but not limited to, unanticipated market developments and risks of illiquidity, and is not suitable for all investors. Past performance is not a guide to or indicative of future results. Future returns are not guaranteed and a loss of principal may occur. Ocean Dial may also receive a performance fee for certain Share Classes based on the appreciation in the NAV per share and accordingly the performance fee will increase with regard to unrealised appreciation, as well as realised gains attributable to those Share Classes. The performance fee may create an incentive for Ocean Dial to make investments for Ocean Dial Gateway to India Fund that are riskier than would be the case in the absence of a fee based on the performance of Ocean Dial Gateway to India Fund.

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