

# STAND OUT FROM THE CROWD



## ICICI Prudential PMS



# CONTRA STRATEGY



All data/information used in the preparation of this material is dated and may or may not be relevant any time after the issuance of this material. ICICI Prudential Asset Management Company Limited (the Portfolio Manager/ the AMC) takes no responsibility of updating any data/information in this material from time to time. The recipient of this material is solely responsible for any action taken based on this material. The information contained herein are strictly confidential and are meant solely for the benefit of the addressee and shall not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of the AMC. Further, the information contained herein should not be construed as forecast or promise. Past performance of the Portfolio Manager may not be indicative of the performance in the future. Please refer to page 26-28 for risk factors and disclaimers.

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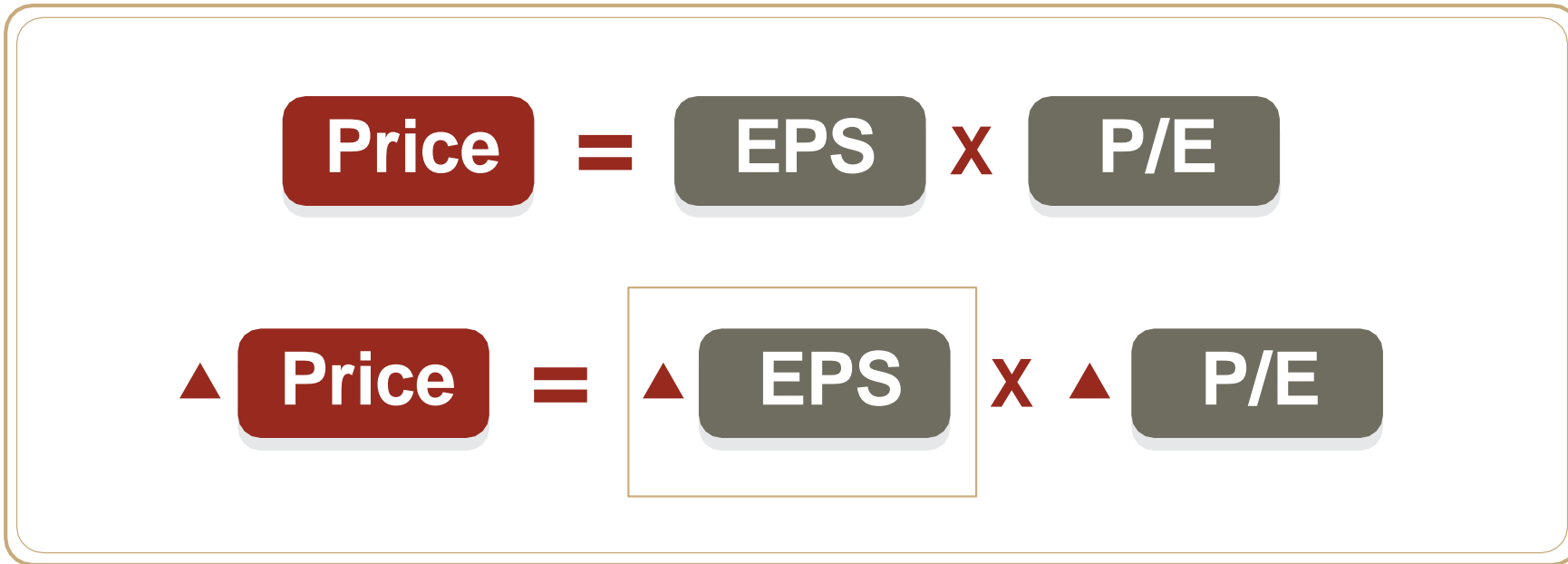
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**Current Strategy Positioning & Performance**



# Key Drivers of Stock Price



**Price Benefitting from Both Earnings growth & P/E rerating.**

The aforesaid factors/framework are only indicative. There may be other factors that may be relevant for determination of stock prices. P/E – Price to earnings, EPS – Earnings per share.

# Profit is one driver....other is ROE



## Profit Growth, Price Return and ROE of S&P BSE 200 Companies\* over 15 Years

S&P BSE 200 Companies* Share Price CAGR (Mar'07 to Mar'22)	Average of Profit Growth CAGR (FY2007 to FY2022)	Average of Return on Equity (FY2022)	Average of Price to Earning	
			Mar'07	Mar'22
>30%	24.24% ↑	22.4 ↑	14.2	49.6
20% to 30%	17.15%	19.4	16.4	35.4
10% to 20%	12.09%	16.2	15.2	24.3
0% to 10%	8.61%	15.2	21.2	22.3
< 0	-3.02%	13.1	15.3	21.0

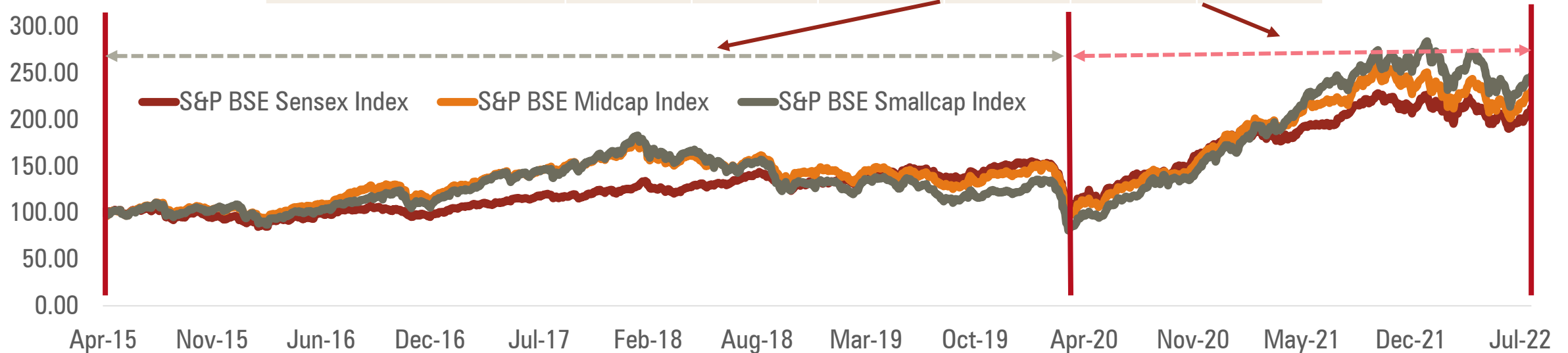
Source: Financials of Companies - Edelweiss Limited, Share Price - BSE India Limited | Data as on March 31, 2022 | Profit Growth: Reported Profit After Tax. Return/Market Cap between March 31, 2007 to March 31, 2022 | \*Universe of S&P BSE 200 companies, where data of 137 companies available over the 15 year period | CAGR – Compounded Annual Growth Rate | Past Performance may or may not sustain in future

# The Trend has Changed

“There are decades where nothing happens; and there are weeks where decades happen”

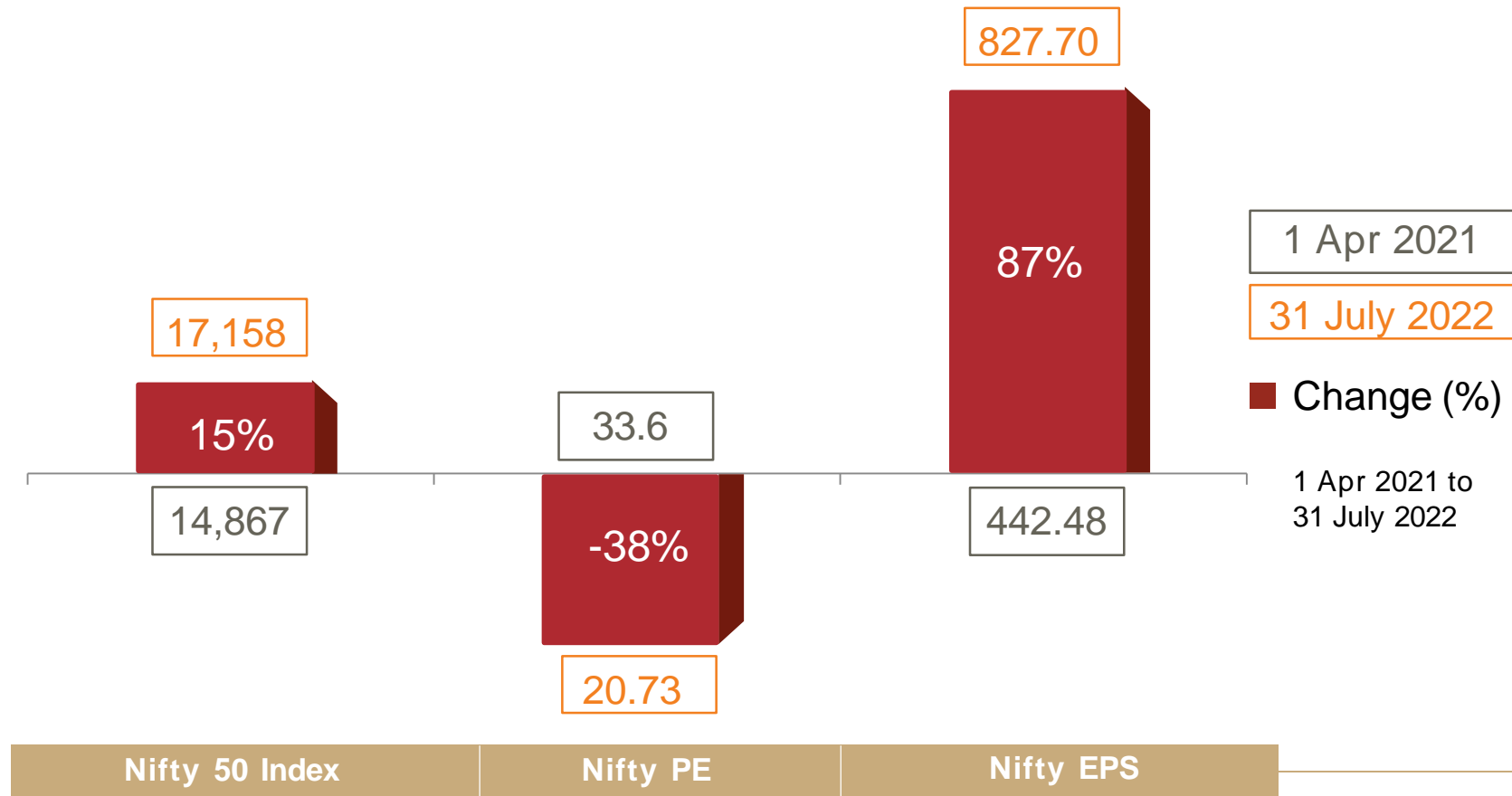
- Vladimir Ilyich

Index	Apr 30, 2015 to July 31, 2022		April 30, 2015 to Jan 31, 2020		Jan 31, 2020 to July 31, 2022	
	Price CAGR	EPS CAGR	Price CAGR	EPS CAGR	Price CAGR	EPS CAGR
S&P BSE Sensex	11.0%	7.8%	9.0%	2.7%	14.9%	18.3%
S&P BSE Midcap	12.2%	12.3%	8.7%	2.7%	19.3%	33.2%
S&P BSE Smallcap	13.3%	13.5%	6.3%	-11.7%	27.8%	83.4%



Source: Stock Prices - BSE India Limited. Data as on July 31, 2022. EPS – Earnings per Share of Index constituents.  
Past Performance may or may not sustain in future. Graph rebased to 100 | CAGR – Compounded Annual Growth Rate

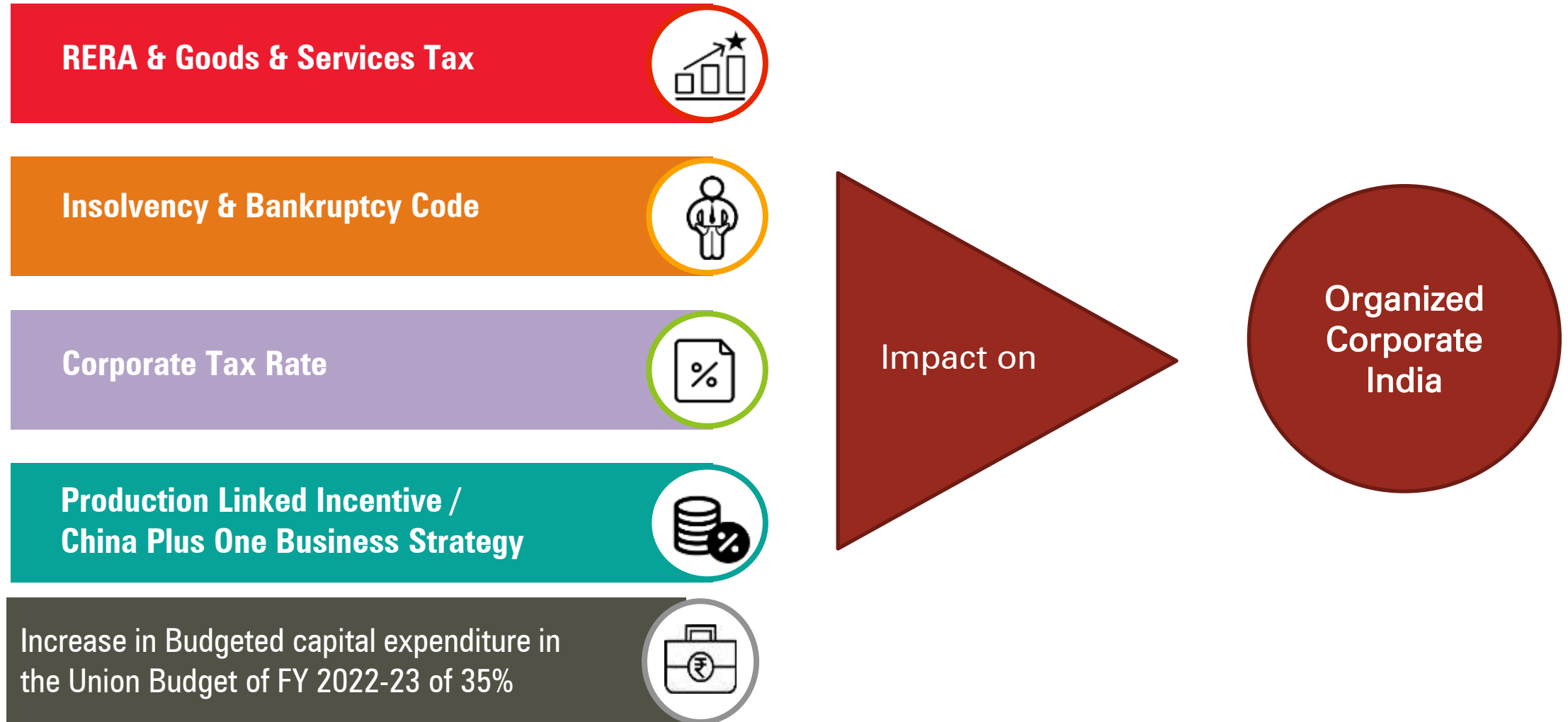
# Nifty 50 Index Movement



Source: Index Values -NSE India Limited. Data as on 31 July 2022. PE – Price to Earnings of Nifty 50 Index constituents | EPS – Earnings per Share of Nifty 50 Index constituents. Past Performance may or may not sustain in future



# Key Structural Reforms in Past and its Impact on India Corporates



Source: Union Budget FY2023 Documents, Ministry of Corporate Affairs

*The factors mentioned above are only indicative. There may be other influencing factors depending on the prevailing market conditions*



# KEY INVESTMENT FRAMEWORK



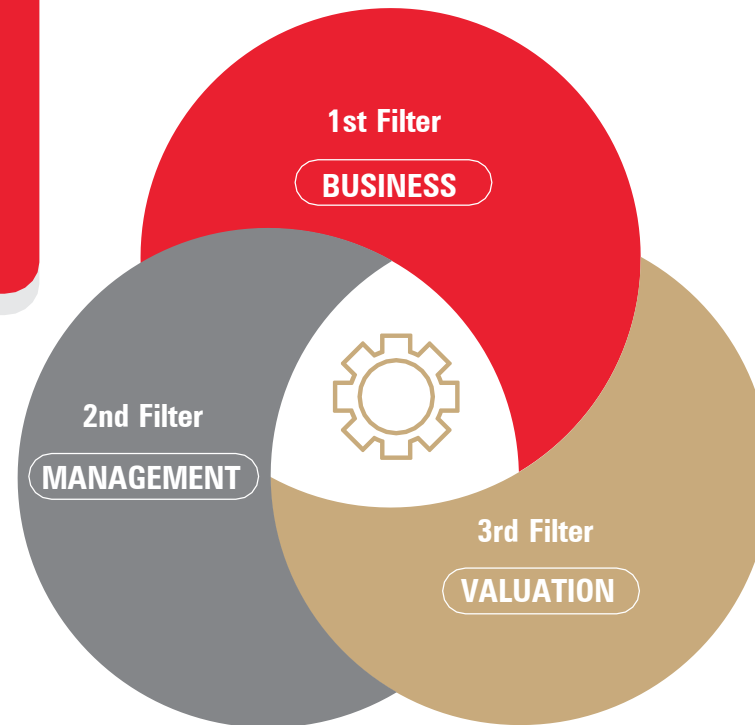
# Core Belief: Companies create wealth, not markets



## Aims to Identify Prominent businesses, Competent Management, at Reasonable Valuations

- Company growing faster than industry & industry faster than market
- Qualitative assessment based on the concept of “economic moats\*”
- Foreseeable changes in business leading to a positive outcome

- Focused on growth, improving margins & prudent capital allocation
- Competent managers with a credible track record
- Fair corporate governance standards, with aligned shareholder interests

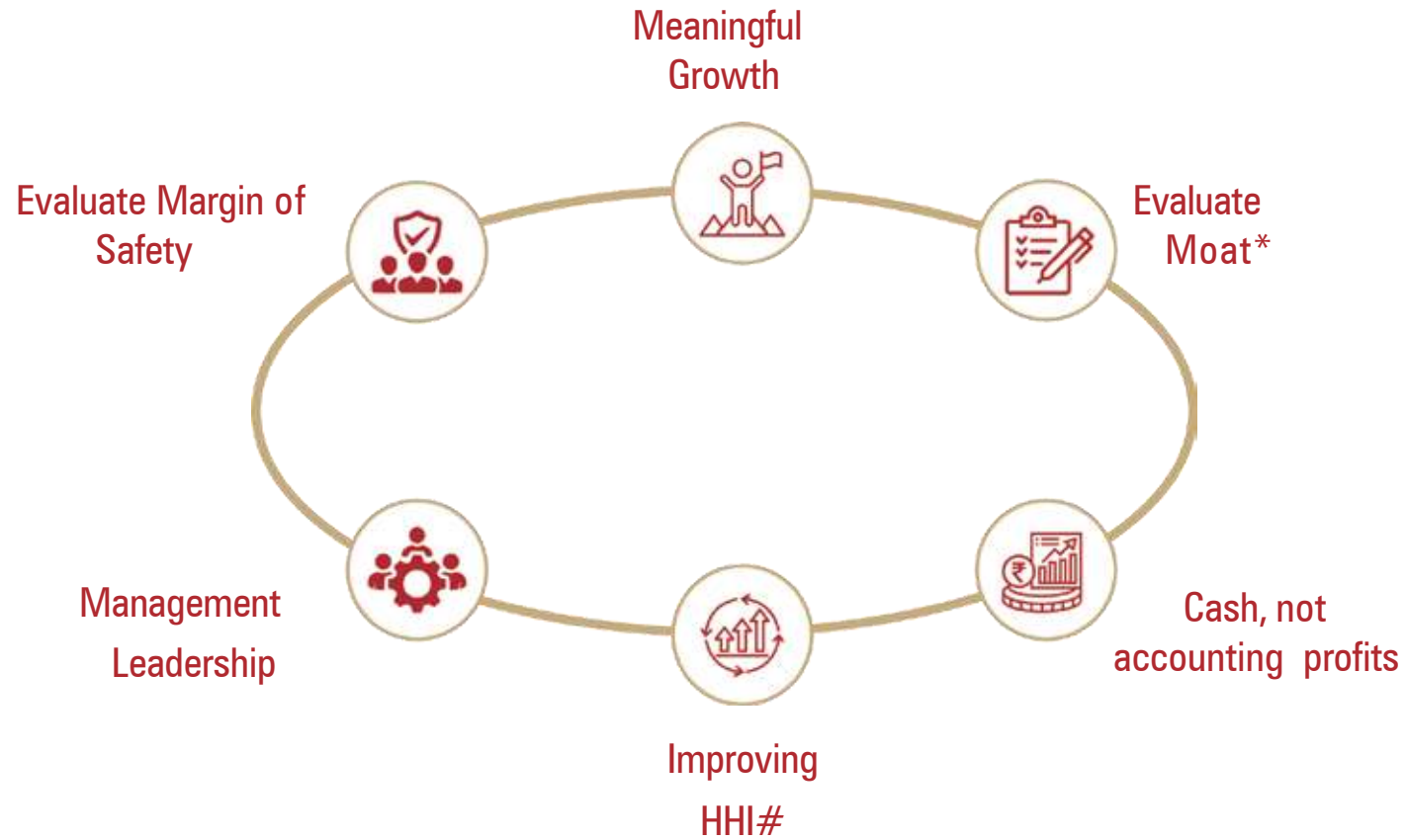


- Cash flow is central in our Investment Process about a company’s value
- Evaluation of margin of safety required according to the ‘moat’ and competence of management
- Better risk reward profile

The aforesaid factors/framework are only indicative. There may be other factors that may be relevant for identification/selection of stock

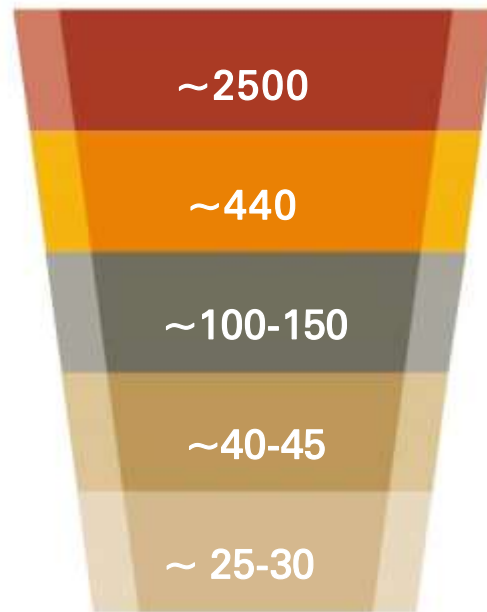
\*Moat: A sustainable competitive advantage

# The Circle of Competence



The aforesaid factors/framework are only indicative. There may be other factors that may be relevant for identification/selection of stock. All these factors may not be applicable for the investment approach, The factor shall be referred as applicable. #HHI refers to the Herfindahl–Hirschman Index, a commonly accepted measure of market/segment concentration. \*Moat: A competitive sustainable advantage

## Number of Companies



- 1 Initial in-house screening process
- 2 Active coverage of company
- 3 Applying the BMV Filtration
- 4 Identifying potential Opportunities
- 5 Portfolio Construction

*Evaluation*



*Selection*



*Sizing*

— PRESENTING —

**ICICI Prudential PMS**

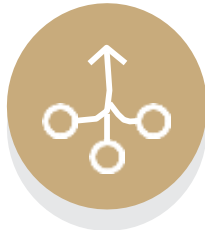
# CONTRA STRATEGY



## High Entry Barriers Businesses going through Unfavourable Business Cycle:

Investing into sector or companies where prevailing sentiments are not positive at the time of purchase. **Aims to invest into Competent Players / Survivors within the sectors.**

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## Consolidation in Industry:

Industry challenges leading to reduction in players. Distress exits may create growth opportunities for existing players.

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## Special Situations:

This may include, Mergers, Acquisitions, Changes in Holding-Subsidiary company, Product or department spin offs, etc.



# Contrarian Investing: How it works?



Identification of sectors or companies which are facing temporary headwinds.

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Parameters such as RoE, RoCE, Market Cap by Cash Profit, P/E, Corporate Governance & Capital Allocation Track Record are used to determine investability.

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Concentrated portfolios of high conviction ideas.

The aforesaid points are only indicative. There may be other factors that may be relevant for identification of a contrarian investing opportunity.

RoE – Return on equity, RoCE – Return on Capital Employed, P/E – Price to Earnings



# Key Features of the Strategy



**Investment Objective:** ICICI Prudential PMS Contra Strategy (the “Contra Strategy”) seeks to generate capital appreciation by investing predominantly in equity and equity related instruments through contrarian investing.

**Types of Securities:** The Contra Strategy predominantly invests in listed equity and equity related securities. The Contra Strategy may also take exposure to exchange traded derivative instruments for hedging purpose. For liquidity or defensive considerations or pending deployment, the Portfolio Manager may invest in debt, money market instruments, mutual fund schemes or debt ETFs.



The investment strategy, approach and the structure of the strategy herein involves risk and there can be no assurance that specific objectives will be met under differing market conditions or cycles. The investment strategy and the composition of the portfolio as stated herein is only indicative in nature and is subject to change within the provisions of the disclosure document and client agreement. Please refer to the disclosure document & client agreement for details and risk factors. The details of investment approach/strategy mentioned here are brief subset of details mentioned in the Disclosure Document(DD). Investors should refer the DD before investing.

The investment process mentioned above are indicative in nature. There may be other investment process for stock selection.

# Some Alpha Stories

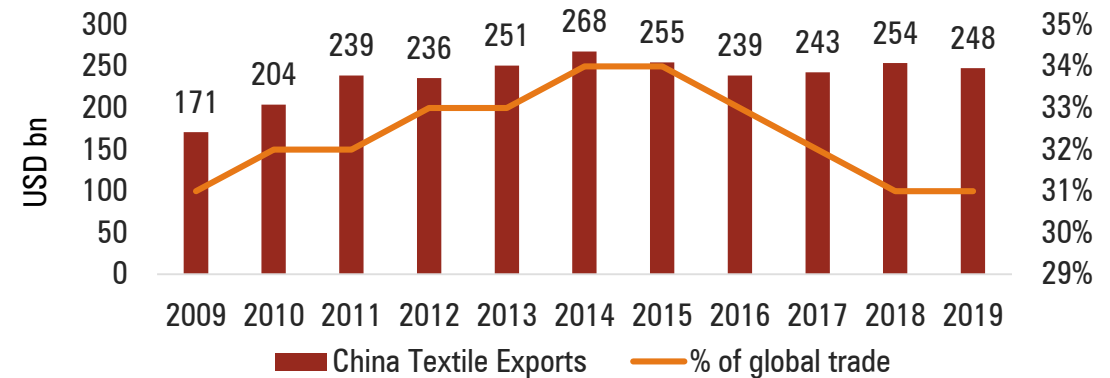
# Special Situation: Vardhman Textiles Limited



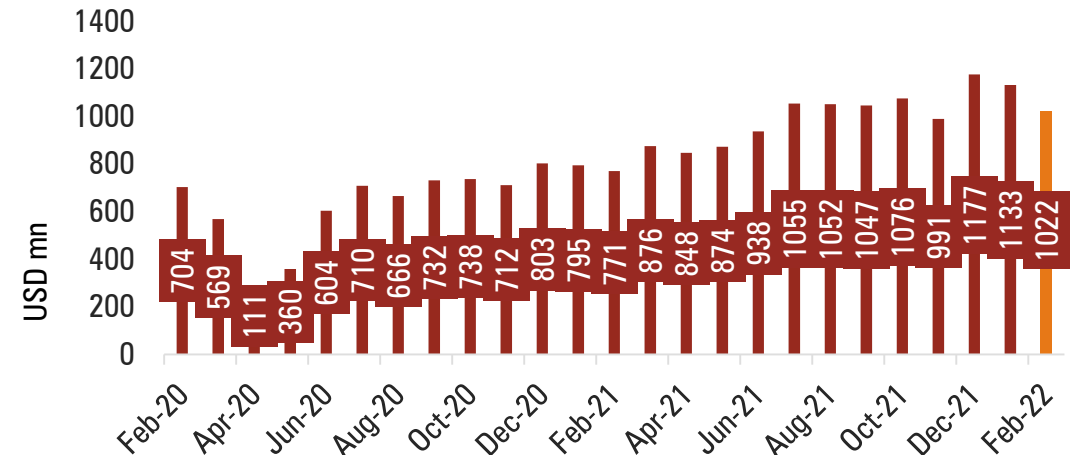
## Vardhman Textiles : Beneficiary of structural improvement in demand for Indian yarn

- Recent addition of large capacities in the major yarn exporting countries and ban on Xinjiang Cotton by the US due to human rights violations, led to supply crunch of cotton yarn in the global market.
- This crunch in the market has created demand for Indian yarn, garmenting and home textile companies, resulting in robust demand for the yarn in both the global and domestic market.
- The company has one of the largest spinning capacity in India and is among one of the largest domestic yarn producers. It is one of the largest exporters of cotton yarn to the most quality conscious markets of the European, USA and the East Asian Countries.
- The Company, being one of the largest yarn producer in India is a likely beneficiary of the structural improvement in the global demand for Indian yarn and higher cotton-yarn spread.

China's share in the global textiles and apparel market has been declining



India's Cotton Yarn, fabric, made-ups exports monthly trend



Source: Company Update, Research Report by Spark Capital (India) Limited.

The Stock(s)/Sector(s) mentioned in this material do not constitute any recommendation of the same and the Strategy may or may not have any future positions in these stock(s)/Sector(s). Past Performance may or may not sustain in future. |As on July 31, 2022, the portfolio has an exposure to Vardhman Textiles Ltd

# Consolidation in Industry: Telecom Sector



## Bharti Airtel Limited

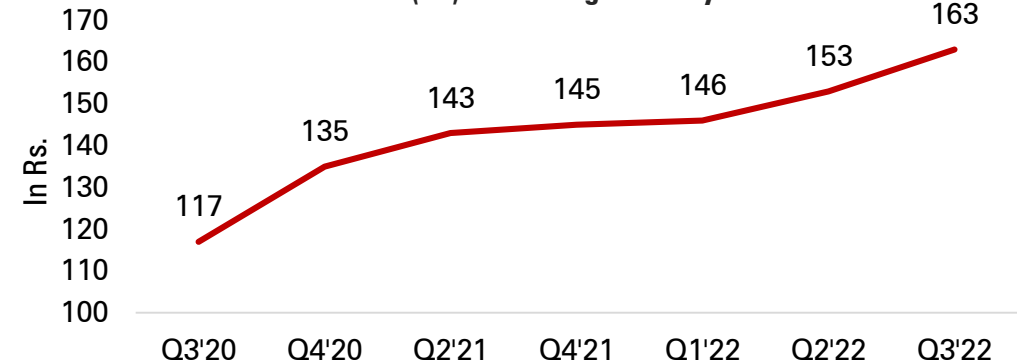
- Bharti Airtel ranks among the top three mobile service providers globally in terms of subscribers. The Top 2 companies in the telecom sector account for over 70% of the wireless market share, one of them being Bharti Airtel (31.55% share) as on 31st March 2022 in India.
- Despite the tariff hikes announced in December 2021, Bharti Airtel has gained both gross and active subscribers along with market share, highlighting that the price increase has had little impact on its competitive position.
- The Company has one of the highest subscriber numbers which increased by to 356.4 million as on January 2022 from 344.0 million as on December 2021.
- Mobile revenues grew by 25.1% year on year as on 31<sup>st</sup> March 2022, on account of increase in ARPU led by healthy flow through of tariff revision and healthy 4G customer additions during the year.

Increased EBITDA over the years



Source: Bharti Airtel Limited Annual Reports

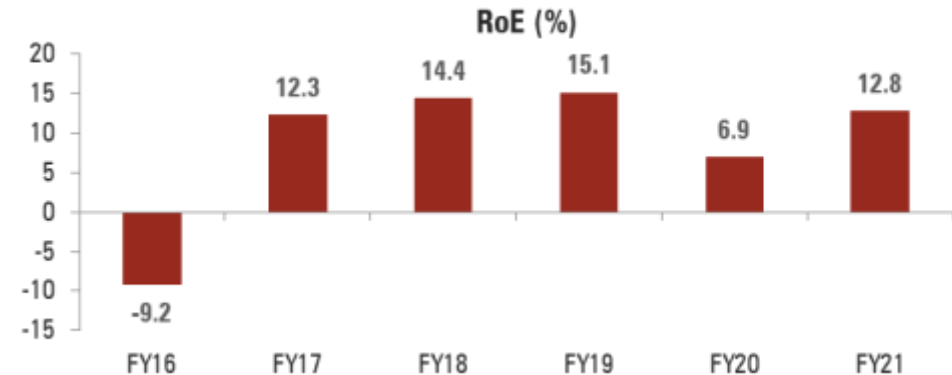
ARPU (Rs) – ~40% gain in 2 years



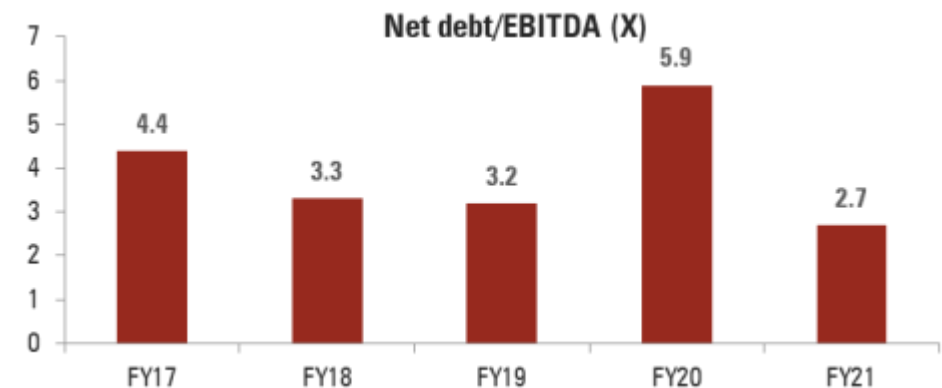
## Tata Steel Limited

- There is consolidation in the steel sector globally due to China’s carbon neutral move, inventory tightness and removal of VAT Rebates on exports by the Chinese Government.
- Tata Steel Limited has presence across the entire value chain of steel manufacturing from mining and processing iron ore and coal to producing and distributing finished products.
- Due to captive iron mines owned by the Company it has a resource moat as it can procure raw materials at low costs.
- The consolidated adjusted net leverage falling below 3.0x, on a sustained basis, are some of the factors which may be positives in the future, for the growth of the Company.

ROE is likely to continue to rise



Leverage reduces sharply with improvement in earnings



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Source: Kotak Securities, CITI Research, IIFL | EBITDA – Earnings Before Interest Tax Depreciation and Amortization



**Current Portfolio and Positioning**





**Aim to focus on businesses which can grow earnings with an eye on improving ROE and reasonable valuations**

	PAT Growth		ROE			P/E
	1Y TTM (Abs)	2Y TTM (CAGR)	FY20	FY21	FY22	July 31, 2022
<b>ICICI Prudential PMS Contra Strategy</b>	109%	60%	9.6	11.9	18.2	9.3

Source: Company Financials - Edelweiss Brokerage. The data above is for the underlying portfolio companies.

PAT – Profit After Tax| TTM – Trailing Twelve Months Return | ROE – Return on Equity | P/E – Price to Earnings | CAGR- Compounded annual Growth Rate | Abs – Absolute

The portfolio data and the statistical analysis mentioned above is of the oldest client of the Strategy. The portfolio of individual clients may vary significantly. The sector(s)/stock(s) mentioned here do not constitute any recommendation and the strategy may or may not have any future positions in these stock(s)/Sector(s). Past performance may or may not be sustained in future.



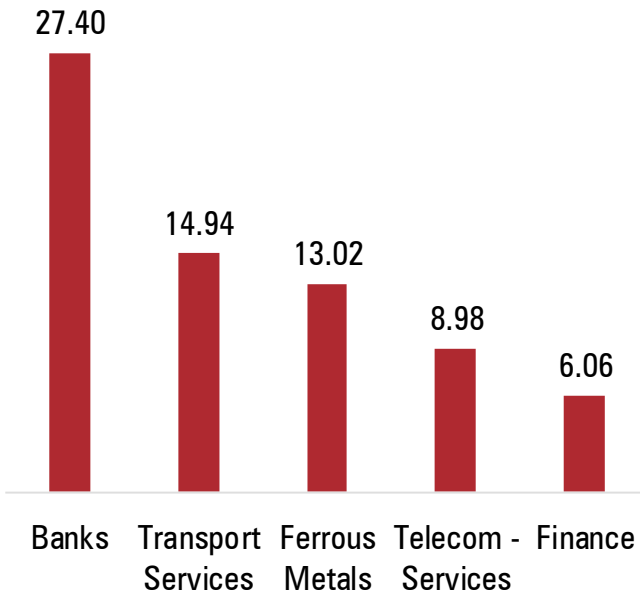
# Portfolio Details



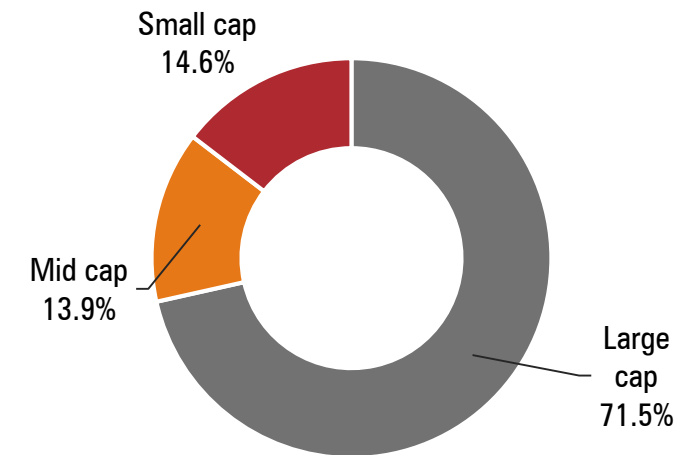
## Top 10 Holdings

Company Name	Alloc. (%)
ICICI Bank Ltd	8.86
State Bank of India	7.79
Bharti Airtel Ltd	6.81
HDFC Bank Ltd	6.15
Tata Steel Ltd	5.65
Larsen & Toubro Ltd	5.59
Container Corporation of India Ltd	5.51
Hindalco Industries Ltd	5.51
VRL Logistic Ltd	4.96
Bank Of Baroda	4.60

## Top 5 Sector Exposure\*



## Diversified across market cap



## Portfolio Parameters



## Valuation Parameters (TTM)



\*% of AUM | The portfolio data mentioned above is of a oldest client and data of an individual client may vary significantly from the above. The Stock(s)/Sector(s) mentioned in this material do not constitute any recommendation of the same and the portfolios may or may not have any future positions in these Stock(s)/Sector(s). Data as on July 31, 2022. Source – Morningstar factsheets

## Strategy Performance\*

	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	Since Inception
ICICI Prudential PMS Contra Strategy	12.68%	-2.02%	-2.09%	4.14%	30.87%	20.54%	16.29%
S&P BSE 200 Index	9.59%	-0.27%	-0.64%	8.53%	26.67%	17.22%	11.58%

## Calendar Year Performance

	YTD	2021	2020	2019
ICICI Prudential PMS Contra Strategy	3.09%	36.11%	17.65%	9.98%
S&P BSE 200 Index	-0.95%	27.59%	16.31%	9.13%

\*Performance as on 31 July 2022. Strategy performance mentioned above is the aggregate performance of all clients in the Strategy using the Time Weighted Rate of Return (TWRR) methodology and the performance of an individual clients may vary significantly from the above. Returns for one year or less are on absolute basis, while returns more than one year are on annualized basis. All the returns calculated above are after deduction of the applicable expenses. Past performance may or may not be sustained in future and is no guarantee of future results. Inception Date: 14th Sep 2018.

Investor's may note that the entity level performance of the Portfolio Manager is disclosed in the Disclosure Document and the same is available on the website of Portfolio Manager - [www.icicprupms.com](http://www.icicprupms.com).

Performance data provided herein is not verified by SEBI.

# Key Highlights of The Strategy



Strategy Name	ICICI Prudential PMS Contra Strategy
Investment Objective	ICICI Prudential PMS Contra Strategy (the “Contra Strategy”) seeks to generate capital appreciation by investing predominantly in equity and equity related instruments through contrarian investing.
Basis for selection of securities as a part of investment approach	The Portfolio Manager follows ‘Contra’ style of investing which involves taking contradictory bets on equity stocks i.e. taking calls/exposure on underperforming stocks which are currently not in favour in the market but are expected to do well in the long run. The Portfolio Manager may also select stocks of companies in sectors where entry barriers are high, sectors in consolidation or of companies in special situation.
Benchmark	S&P BSE 200 Index
Minimum Investment	Rs. 50 Lacs
Indicative Investment Horizon	The ideal investment horizon shall be 4 years and above.
Direct Option	Investor’s may invest with us directly as well. To invest in any of our PMS strategies directly kindly write to us at <a href="mailto:PMS@icicipruamc.com">PMS@icicipruamc.com</a>

The investment strategy, approach and the structure of the strategy herein involves risk and there can be no assurance that specific objectives will be met under differing market conditions or cycles. The investment strategy and the composition of the portfolio as stated herein is only indicative in nature and is subject to change within the provisions of the disclosure document and client agreement without any prior notice to investors. Please refer to the disclosure document & client agreement for details and risk factors. Investment Objective in line with Disclosure Document (DD). Basis of selection of securities, Risks associated with Strategy specific investment approach mentioned here are brief subset of details mentioned in the DD. Investors should refer the DD before investing

- The Contra Strategy predominantly select stocks following a Contrarian style of investing.
- There could be time periods when securities selected based on their relevancy to the investment style followed by the Portfolio Manager underperform relative to other stocks or the overall markets. This could impact performance.
- The Contra Strategy aims at maintaining a diversified portfolio without any undue concentration in any sector or stock and the portfolio may underperform relative to concentrated portfolios during certain periods of time.
- The Contra Strategy invests across market capitalisations. Hence, risks relevant to investing in small and mid cap stocks are also applicable for the strategy. The small/mid cap stocks give an opportunity to go beyond the usual large blue chip stocks and present possible higher capital appreciation, it is important to note that small/mid cap stocks can be riskier and more volatile on a relative basis. Therefore, the risk levels of investing in small/mid cap stocks are more than investing in large cap stocks. It may be noted that over a time these two categories have demonstrated different levels of volatility and investment returns. Among the reasons for the greater price volatility are the less certain growth prospects of small/mid cap stocks, the lower degree of liquidity in the markets for such securities, and the greater sensitivity of small/mid cap stocks to changing economic conditions. Small/mid cap stocks carry large amount of liquidity risk compared to the large cap stocks, as the ability to sell is limited by overall trading volume in the securities, which it invests.
- The Contra Strategy predominantly invests in equity and equity related securities including exchange traded derivatives and liquid and other short term mutual fund schemes including liquid ETF.

The above mentioned risk factors and general risk factors relating to the Portfolio are elaborated in the 'Risk Factors' section of the Disclosure Document.

<https://www.iciciprupms.com/downloads/disclosure-document>

# Risk Factors & Disclaimers



The Portfolio Manager shall have the sole and absolute discretion to invest in respect of the Client's investment in any type of security subject to the Agreement and as stated in the Disclosure Document and make such changes in the investments and invest some or all of the Client's investment amount in such manner and in such markets as it deems fit would benefit the Client. The Portfolio Manager's decision (taken in good faith) in deployment of the Clients' account is absolute and final and can never be called in question or be open to review at any time during the currency of the agreement or any time thereafter except on the ground of malafide, fraud, conflict of interest or gross negligence. This right of the Portfolio Manager shall be exercised strictly in accordance with the relevant Acts, rules and regulations, guidelines and notifications in force from time to time.

By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. The recipient(s) alone shall be fully responsible/are liable for any decision taken on the basis of this material. All recipients of this material should before dealing and/or transacting in any of the products referred to in this material make their own investigation, seek appropriate professional advice. The investments discussed in this may not be suitable for all investors. Financial products and instruments are subject to market risks and yields may fluctuate depending on various factors affecting capital/debt markets. There is no assurance or guarantee that the objectives of the portfolio will be achieved. Please note that past performance of the financial products, instruments and the portfolio does not necessarily indicate the future prospects and performance thereof. Such past performance may or may not be sustained in future. Portfolio Manager's investment decisions may not be always profitable, as actual market movements may be at variance with anticipated trends. The investors are not being offered any guaranteed or assured returns.

In the preparation of this material the AMC has used information that is publicly available, including information developed in-house. Some of the material used herein may have been obtained from members/persons other than the AMC and/or its affiliates and which may have been made available to the AMC and/or to its affiliates. Information gathered and material used herein is believed to be from reliable sources. The AMC however does not warrant the accuracy, reasonableness and/or completeness of any information. For data reference to any third party in this material no such party will assume any liability for the same. We have included statements/opinions/recommendations in this material, which contain words, or phrases such as "will", "expect", "should", "believe" and also PE ratios, EPS and Earnings Growth for forthcoming years 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, the monetary and interest policies of India, inflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in the industry.

All data/information used in the preparation of this material is dated and may or may not be relevant any time after the issuance of this material. The Portfolio Manager/ the AMC takes no responsibility of updating any data/information in this material from time to time. The Portfolio Manager/ the AMC (including its affiliates), and any of its officers directors, personnel and employees, shall not liable for any loss, damage of any nature, including but not limited to direct, indirect, punitive, exemplary, consequential, as also any loss of profit in any way arising from the use of this material in any manner. #Icra disclaimer: Although reasonable care has been taken to ensure that the information herein is true, such information is provided on 'as is' basis without any warranty of any kind, express or implied, or otherwise including the warranties of merchantability, its fitness for any particular purpose or satisfactory quality regardless of whether imposed by contract, statute, course of dealing, custom or usage or otherwise.

Investing in securities involves certain risks and considerations associated generally with making investments in securities. The value of the portfolio investments may be affected generally by factors affecting financial markets, such as price and volume, volatility in interest rates, currency exchange rates, changes in regulatory and administrative policies of the Government or any other appropriate authority (including tax laws) or other political and economic developments. Consequently, there can be no assurance that the objective of the Portfolio would be achieved. The value of the portfolios may fluctuate and can go up or down. Prospective investors are advised to carefully review the Disclosure Document, Client Agreement, and other related documents carefully and in its entirety and consult their legal, tax and financial advisors to determine possible legal, tax and financial or any other consequences of investing under this Portfolio, before making an investment decision.

The Stock(s)/Sector(s) mentioned in this material do not constitute any recommendation of the same and the portfolios may or may not have any future positions in these Stock(s)/Sector(s).

The composition of the portfolio is subject to changes within the provisions of the disclosure document. The benchmark of the portfolios can be changed from time to time in the future. The inability of the Portfolio Manager to make intended securities purchases due to settlement problems could cause the portfolio to miss certain investment opportunities. By the same rationale, the inability to sell securities held in the portfolio due to the absence of a well-developed and liquid secondary market for securities would result, at times, in potential losses to the portfolio. Please note that past performance of the financial products, instruments and the portfolio does not necessarily indicate the future prospects and performance thereof. Such past performance may or may not be sustained in future. Portfolio Manager's investment decisions may not be always profitable, as actual market movements may be at variance with anticipated trends. The investors are not being offered any guaranteed or assured returns. The AMC may be engaged in buying/selling of such securities. Please refer to the Disclosure Document and Client Agreement for portfolio specific risk factors.

Individual returns of Clients for a particular portfolio type may vary significantly from the data on performance of the portfolios as may be depicted by the Portfolio Manager from time to time. This is due to factors such as timing of entry and exit, timing of additional flows and redemptions, individual client mandates, specific portfolio construction characteristics or structural parameters, which may have a bearing on individual portfolio performance. No claims may be made or entertained for any variances between the performance depictions and individual portfolio performance. Neither ICICI Prudential Asset Management Company Ltd. (the AMC) nor its Directors, Employees or Sponsors shall be in any way liable for any variations noticed in the returns of individual portfolios.

The Client shall not make any claim against the Portfolio Manager against any losses (notional or real) or against any loss of opportunity for gain under various PMS Products, on account of or arising out of such circumstance/ change in market condition or for any other reason which may specifically affect a particular sector or security. ICICI Prudential Asset Management Company Limited is registered with SEBI as a Portfolio Manager vide registration number INP000000373.

Thank You