

DSP

INVESTMENT MANAGERS



Vinit Sambre – Head of Equities

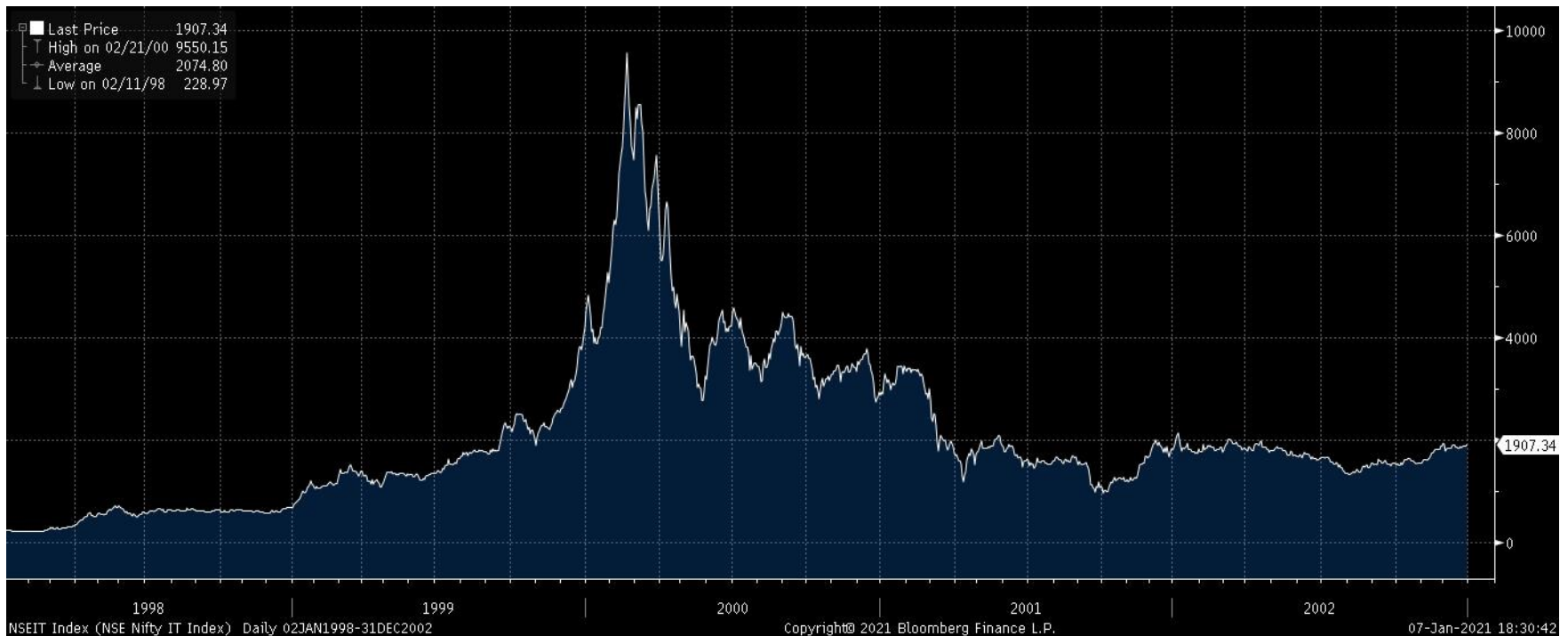
January 2021

Learnings through time

1. Lower Macro focus
 - ▶ Bottom up company research is more useful than predicting macro.
2. A rising tide lifts all boats
 - ▶ beware of blindly investing in themes

Beware of blindly investing in themes

- ▶ Boom & bust during early phase of my career
- ▶ 100 PE club
- ▶ Everyone wanted to participate in this boom

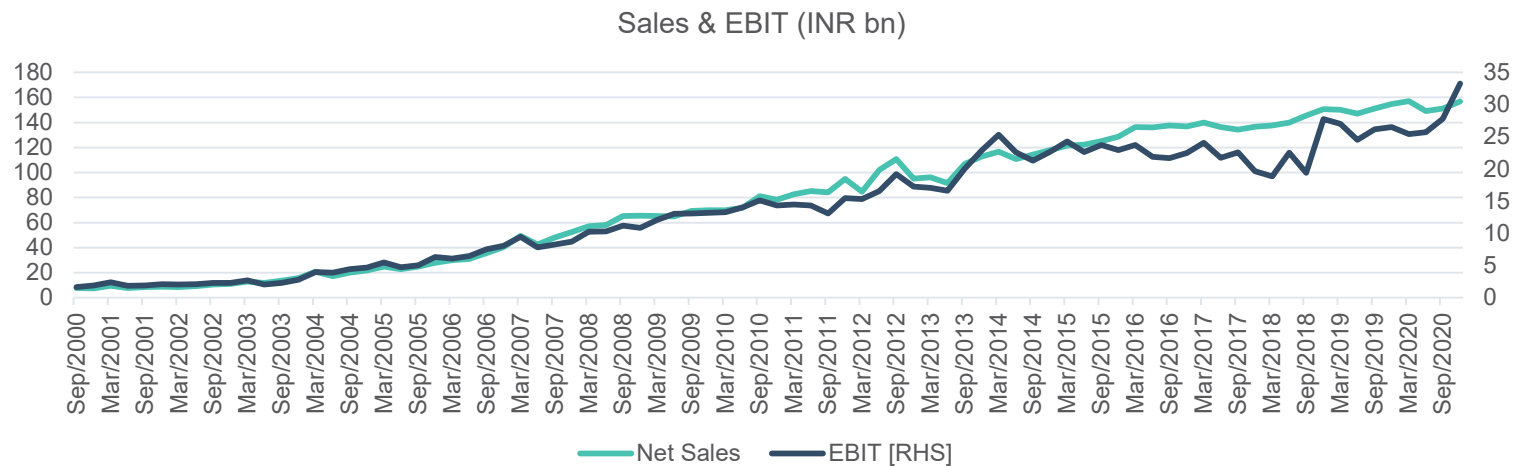
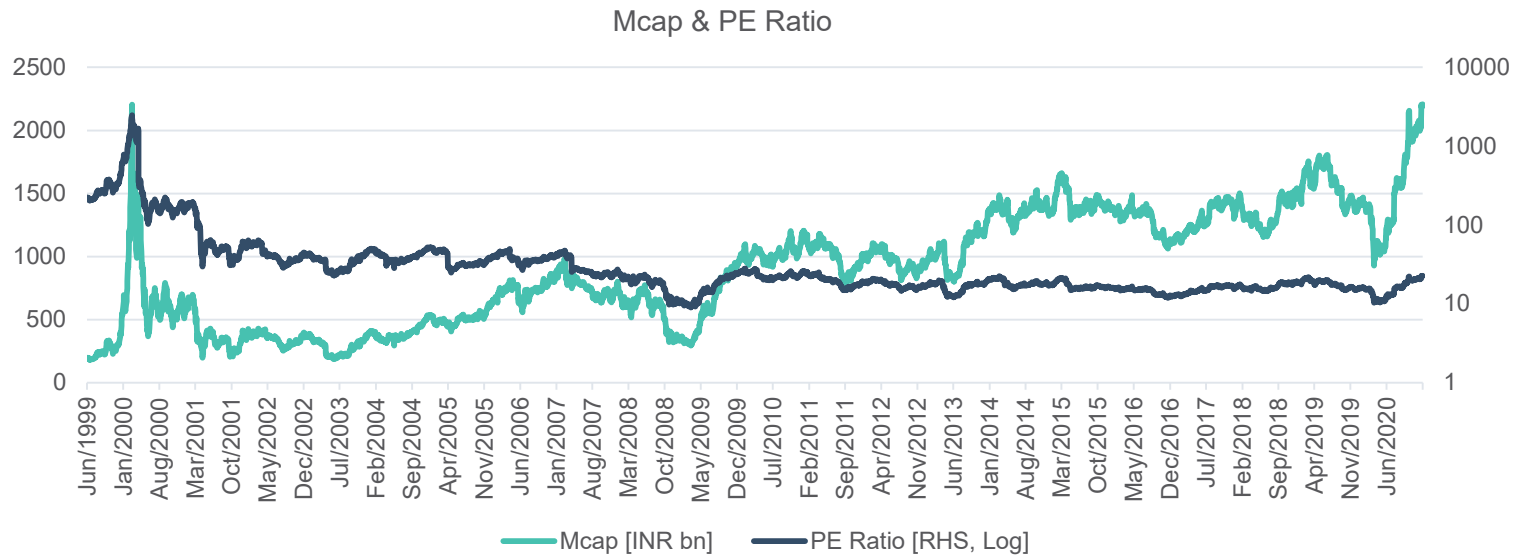


Beware of blindly investing in themes

- ▶ Decade of no return from the peak
- ▶ Don't completely ignore the valuation



Wipro – 2 decades for market cap to recover despite sound fundamentals



Beware of blindly investing in themes

Infra Theme - 2008

- ▶ Order book based investment
- ▶ Cash flow stuck in receivables
- ▶ Project delays
- ▶ Over-leveraging

Stock price chart of NCC Ltd



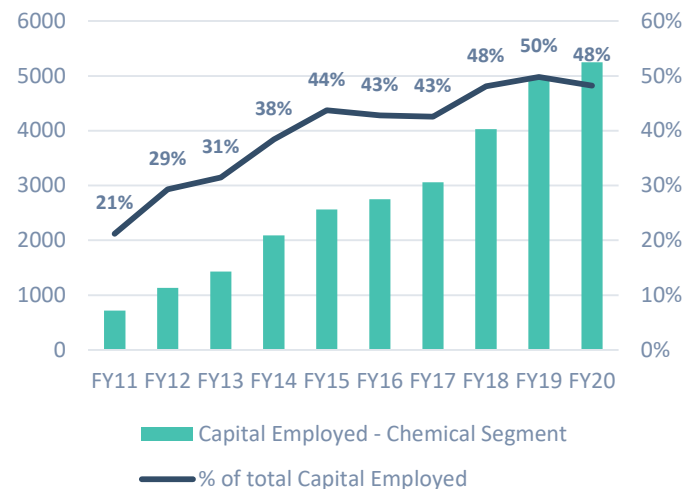
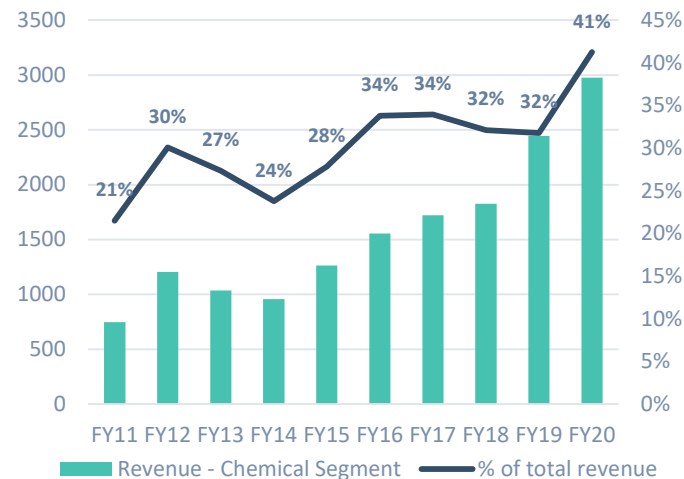
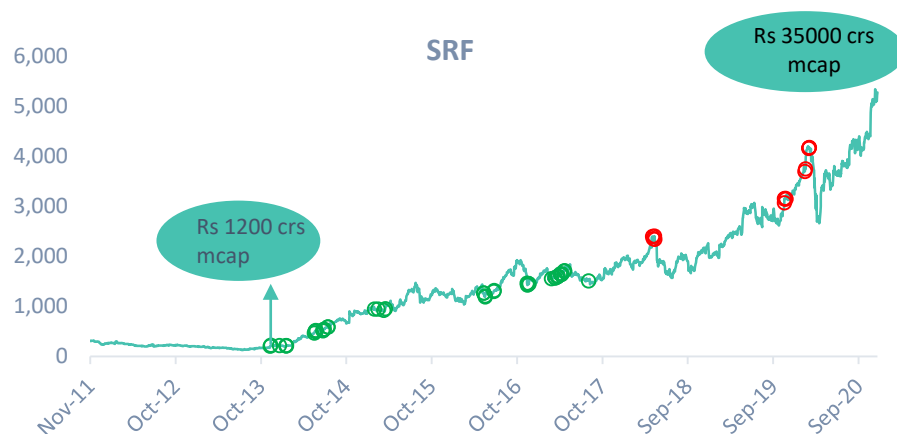
We first identify good businesses and then see if they are beneficiaries of promising themes. The themes that spring up in bull markets often fade out in the long run.

SRF Ltd.– 7 year journey from Micro cap to Large cap

INVESTED ON FUNDAMENTALS ..

- ▶ The company has been in existence for ~50 years
- ▶ Strong competitive advantage in the Specialty Chemicals and Refrigerant Business which acts as an entry barrier
- ▶ Filed 294 process Patents of which 80 have been granted
- ▶ Capital allocation from cyclical businesses to non cyclical with better ROCE
- ▶ Highly capable management with high standard of corporate governance.
- ▶ Catering to scalable industries like Automobiles, Agriculture, Pharmaceuticals

NOW IT'S A THEME



Source: Internal, Bloomberg, Nov 2019. The sector(s)/stock(s)/issuer(s) mentioned in this presentation do not constitute any research report/recommendation of the same and the Representative Portfolio may or may not have any future position in these sector(s)/stock(s)/issuer(s).

Learnings through time

1. Beware of Manager Biases

- ▶ Deep analysis of historical business cycles (over 10-15 years), not merely management's future guidance.

Beware of Manager biases - Atul Ltd

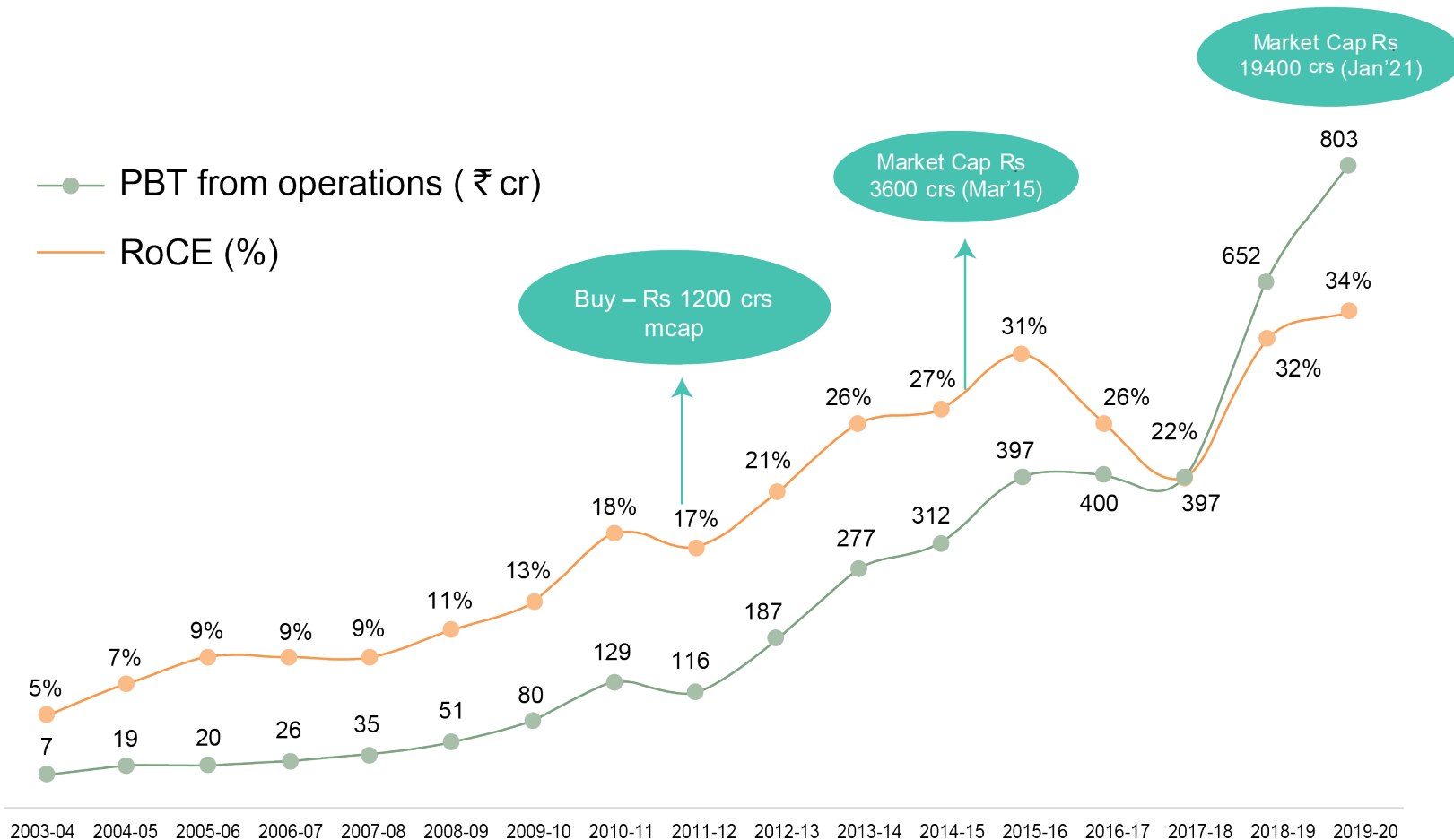
We are not happy with our performance in 2016-17 as our potential is much higher – we continued to perform poorly in Colors; our performance deteriorated in Crop Protection – Retail significantly and Polymers – Retail marginally. We believe the investments we have made and the path we are pursuing will deliver value, but I was perhaps too optimistic in my last letter wherein I had mentioned that we will try and achieve sales of ₹ 4,000 cr in 2017-18 – this will take some more time.

Over the last 3 years, we have made investments in projects (related to sales growth) totaling to ₹ 350 cr. We are taking time to achieve the expected rise in sales as some of the projects although completed are under stabilisation; it is also because of the time being taken to build more capabilities (in particular) for growing retail sales. During 2016-17, we completed 3 expansion projects with an investment of ₹ 117 cr. In light of these facts, I believe higher sales will be realised in course of time.

Even in 2017, we will like to remind ourselves of 1947 – the birth year of our Company and the independence year of our country – so that we work with the same newness, optimism and purpose. I wish to assure you that team Atul will focus not on what our Company has been, but on what it can be. Once our recent investments deliver value, we will like to see more bold moves ahead of us than behind us – there may be struggle, but we know that where there is life, there is struggle, and we are prepared for it.



Honest &
Aspirational



After many years of winning streak the stock was still available at Rs 3600 crs. market cap in early part of 2015

Learnings through time

1. Look for *Temporary* disruptions

- ▶ Contra-cyclical plays – use temporary disruption / downcycles to buy good companies.
- ▶ Best combination – good companies & bad time
- ▶ Normally investors turn nervous and are willing to move out
- ▶ Sit back and analyse deeply if the problem is resolvable and ability of the management to deal with the same
- ▶ Stocks available at zero impact cost

Infosys – temporary disruption

- ▶ Under new leadership business had started showing signs of improvement. Salil Parekh joined in Jan 2018
- ▶ Faced whistleblower problem in Oct 2019, evaluated in-depth and concluded that it was bit frivolous
- ▶ Whistleblower led to steep correction – Buy or sell ?
- ▶ Provided good entry opportunity – stock was available at 13-14X

10 yr Average	
ROCE	35%
PAT CAGR	10%
Dividend Payout	44%



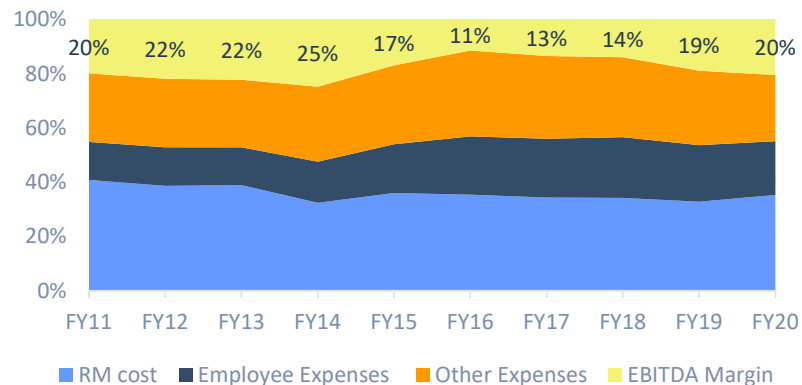
Source: Internal, Bloomberg

IPCA Laboratories Ltd

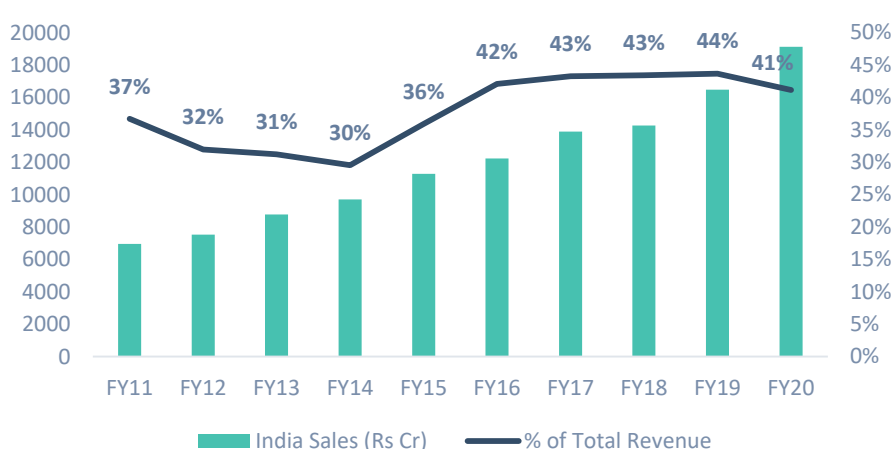
Strong management, superior ROCE and cost efficient pharma play

- ▶ Vertically integrated into API – gives huge cost advantage
- ▶ One of the most capital efficient companies within the sector – **average ROCE FY10-15 = 25%**
- ▶ Faced USFDA challenge in 2014 – Buy or Sell ?
- ▶ ROCE cracked from 28% in FY14 to 5% in FY16; now back to 20%

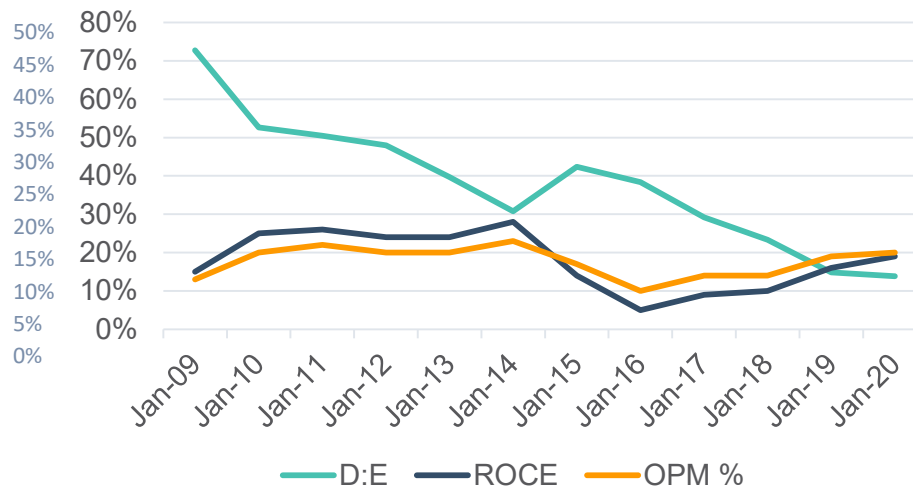
Gross margin remain stable and with fixed cost absorption of US business, EBITDA Margin normalized gradually..



India business was on strong footing with 12% CAGR..

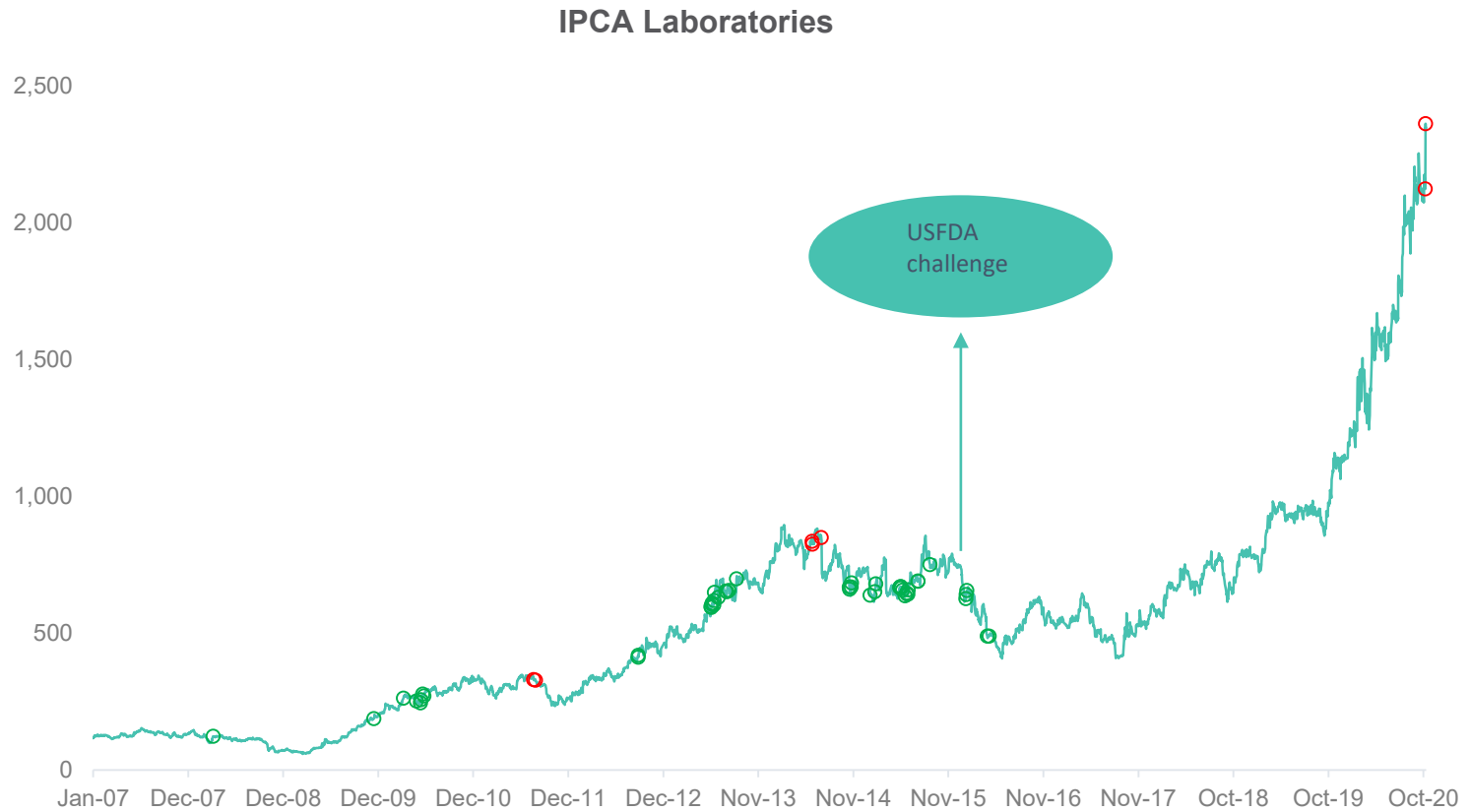


ROCE also started normalizing with margin normalizing..



Source: Internal, Bloomberg, Nov 2019. The sector(s)/stock(s)/issuer(s) mentioned in this presentation do not constitute any research report/recommendation of the same and the Representative Portfolio may or may not have any future position in these sector(s)/stock(s)/issuer(s).

Temporary disruption – Buy or sell ?



Learnings through time

1. Basic checks to minimize accidents

- Base rates – valid justification for being an outlier
- Cash conversion
- Working capital structure – many times used to inflate sales
- Cash tax paying
- Capital allocation – superior ROCE / ROEs through cycle

IPO – basic checks

(₹ in Million)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016	Year ended March 31, 2015	Year ended March 31, 2014	Year ended March 31, 2013
REVENUE:					
Revenue from operations (gross)	7,129.04	6,232.42	5,569.16	5,204.62	4,170.19
Less: Excise duty	(245.38)	(177.59)	(89.30)	-	-
Revenue from operations (net)	6,883.66	6,054.83	5,479.86	5,204.62	4,170.19
Other income	190.77	32.83	34.28	43.60	14.10
Total Revenue (I)	7,074.43	6,087.66	5,514.14	5,248.22	4,184.29
EXPENSES:					
(a) Cost of materials consumed	453.75	381.47	317.27	-	-
(b) Purchases of stock-in-trade	532.35	750.78	825.43	1,162.41	1,271.19
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	80.86	21.40	(55.48)	116.34	(289.05)
(d) Employee benefits expense	1,170.62	1,223.56	1,237.53	878.53	653.01
(e) Other expenses	1,942.17	1,974.50	2,016.59	2,163.89	1,618.43
Total (II)	4,179.75	4,351.71	4,341.34	4,321.17	3,253.58
Restated Profit before interest, tax, depreciation and amortisation (I - II)	2,894.68	1,735.95	1,172.80	927.05	930.71
Finance costs	1.08	1.20	0.06	0.37	2.66
Depreciation and amortisation expense	231.34	195.49	146.66	37.45	23.10
Restated Profit before tax	2,662.26	1,539.26	1,026.08	889.23	904.95
TAX EXPENSE					
(a) Current tax expense	553.83	313.09	223.73	237.06	250.56
(b) (Less): MAT credit	(319.81)	(132.30)	-	-	-
(c) Net current tax expense	234.02	180.79	223.73	237.06	250.56
(d) Deferred tax charge / (credit)	2.59	(21.22)	(30.90)	0.65	(3.57)
Net tax expense	236.61	159.57	192.83	237.71	246.99
Restated Profit after tax	2,425.65	1,379.69	833.25	651.52	657.96

15%

21%
19%

8%

No returns since IPO

Was this an identifiable problem ?

Particular	For the year ended on 31-March-2019	For the year ended on 31-March -2018
Provision for doubtful recovery against Capital Advances	26,688.77	-
Provision for Expected Credit Loss against Trade Receivables	11,765.31	-
Provision for doubtful recovery against Other Receivables	40.56	-
	38,687.64	

The Company has faced certain critical events/aggressive competition and foul plays from some competitors/market forces during the year and period subsequent to balance sheet date resulting into disturbed operations, distribution, collections and operational losses during the current year owing to events explained hereunder below:

Basic checks

- ▶ Deviation from industry norm needs further investigation
- ▶ Frequent fund raising – IPO 2015, QIP 2016
- ▶ We didn't invest in this company

Sales / GB+CWIP (X)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
XXX	2.5	3.1	1.6	1.3	1.5	1.3	1	0.1
Dabur	3.7	3.9	4	4.6	3.8	3.7	4.2	3.6
Marico	2.5	5.3	5.3	5.5	5.4	5.6	5.5	5.0

Basic checks – As simple as debtor days can give clues

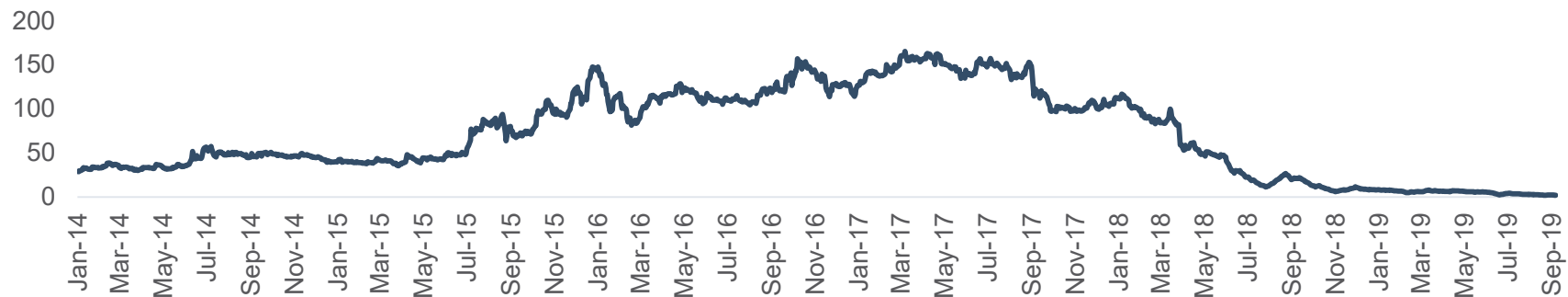
XYZ Ltd

	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18
Debtor Days	96	80	92	82	92

	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18
WC Changes	-229	-139	-337	-156	-449
Operating CF before WC changes	248	331	346	394	504
Net Cash from Operating Activities	19	192	9	238	55
Net Cash Used in Investing Activities	-53	-164	-100	-275	-108
Net Cash Used in Financing Activities	17	-17	107	83	35

	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18
ROE	32%	24%	18%	17%	6%

XYZ Ltd – Share Price



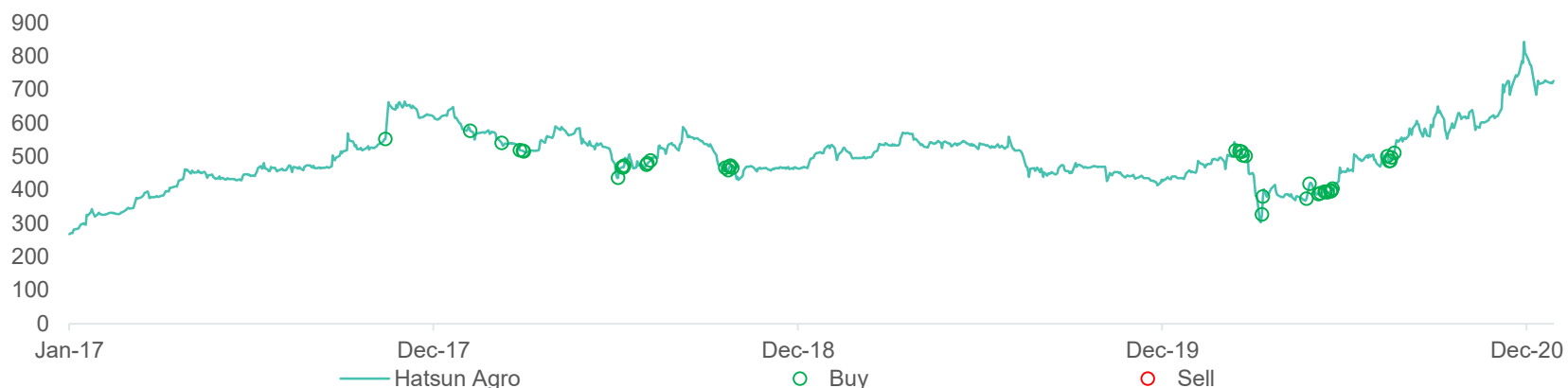
Basic checks

Hatsun Agro

	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18
Debtor Days	3	2	2	4	1

	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18
WC Changes	39	-128	-54	89	-65
Operating CF before WC changes	161	190	272	344	342
Net Cash from Operating Activities	201	62	219	433	277
Net Cash Used in Investing Activities	-212	-124	-134	-569	-523
Net Cash Used in Financing Activities	13	76	-79	162	223

	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18
ROE	46%	18%	26%	39%	25%



Learnings through time

1. Don't forget learnings from past mistakes, general tendency is to forget them in a bull markets
2. Beyond numbers – qualitative factors
3. Temperament – Ignore noise and not react to every news
4. Patience

Beyond Numbers – qualitative factors necessary to build long term conviction.

- Key ingredient defining the longevity and success of any business is the people running it. Long association and experience matters. Key monitorables here are as follows -
 - **Track Record**
 - ▶ Actual performance vs guidance
 - ▶ Adversity is best time to judge management, go back to analyze decision taken during bad cycle.
 - ▶ Management's are optimist and hence it is important to differentiate between what looks achievable and what is optimistic.
 - ▶ IPCA, SRF, Suprajit Engineering, Welspun India
 - **Capital Allocation**
 - ▶ Most important matrix to gauge the future course the company is taking
 - ▶ Choices available – ploughing back into the business, giving dividends, doing buy back, reducing leverage and diversifying into new areas.
 - ▶ Tube, Chambal
 - **Integrity, Passion** – Foresightedness, minority interest, focus and time spent in the business vis-a-vis other external activities at personal or group level, business practices
 - ▶ SRF, Atul, Jubilant Food
 - **Stakeholder relationship** – Relationship with employees, customers, vendors, and society at large defines the attitude of management and their approach towards the business. Inclusive and sustainable approach is critical for long-term durability of the business.
 - ▶ KPR Mill, Narayana
 - **Governance standard**

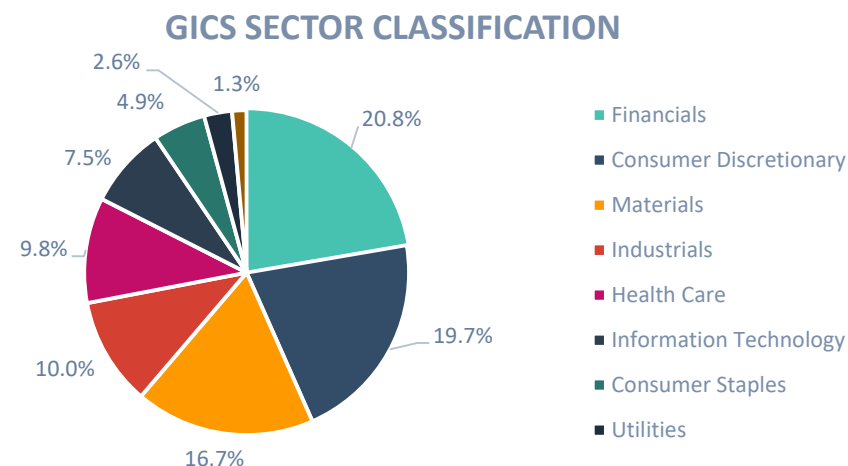
To summarize

- ▶ Businesses take time to build and so does investments
- ▶ Don't predict - too many unknown variables at play
- ▶ Invest in good businesses with long term view
- ▶ Basic checks are important before investing
- ▶ Avoid themes / market noise.

DSP Mid Cap Fund – Portfolio as on December 31, 2020

APPLYING THE INVESTMENT FRAMEWORK IN STOCK SELECTION & PORTFOLIO CONSTRUCTION

TOP 20 HOLDINGS	% OF NET ASSETS
Infosys	4.6%
IPCA Laboratories	4.5%
Cholamandalam Investment and Finance Company	4.3%
Balkrishna Industries	3.8%
Manappuram Finance	3.7%
Supreme Industries	3.6%
Coromandel International	3.6%
Atul	3.1%
Max Financial Services	3.0%
Jubilant Foodworks	2.9%
City Union Bank	2.8%
AIA Engineering	2.8%
The Ramco Cements	2.8%
SBI Life Insurance Company	2.8%
Bata India	2.7%
Voltas	2.7%
Exide Industries	2.4%
Alembic Pharmaceuticals	2.3%
The Federal Bank	2.3%
Bharat Forge	2.3%



MARKET CAP	NET ASSETS
Large Cap	19.8%
Mid Cap	64.0%
Small Cap	9.5%

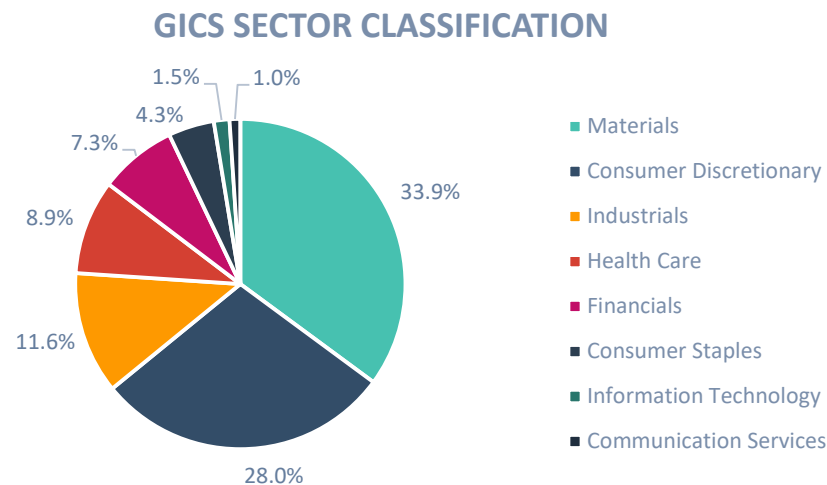
Investment framework is the key driver for building high conviction positions



DSP Small Cap Fund – Portfolio as on December 31, 2020

APPLYING THE INVESTMENT FRAMEWORK IN STOCK SELECTION & PORTFOLIO CONSTRUCTION

TOP 20 HOLDINGS	% OF NET ASSETS
Atul	4.6%
IPCA Laboratories	4.3%
APL Apollo Tubes	3.7%
Tube Investments of India	3.4%
Ratnamani Metals & Tubes	3.2%
Nilkamal	3.1%
Chambal Fertilizers & Chemicals	2.9%
Manappuram Finance	2.8%
Welspun India	2.5%
Suprajit Engineering	2.5%
Cera Sanitaryware	2.4%
K.P.R. Mill	2.3%
Sheela Foam	2.2%
Finolex Industries	2.2%
DCB Bank	2.1%
Dhanuka Agritech	2.0%
Finolex Cables	2.0%
VST Industries	2.0%
SRF	1.9%
Kajaria Ceramics	1.7%



MARKET CAP	NET ASSETS
Mid Cap	19.1%
Small Cap	77.4%

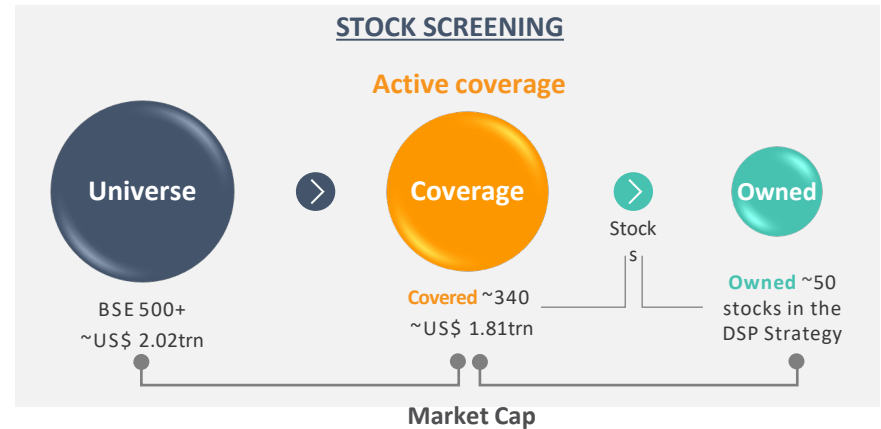
Investment framework is the key driver for building high conviction positions



Annexure

Investment Philosophy – Focus is sustainable long term wealth creation

- Fundamental bottom-up analysis, preferring companies exhibiting:
 - a) Scalability of their businesses
 - b) Sustainable high Return on Equity and earnings growth over time
 - c) Incremental capital allocation in equivalent or better ROE businesses
 - d) Stakeholder awareness and responsible governance



- ▶ Long-term investment horizon, turnover ratio 31% (with position sizing through cycles)
- ▶ Sell Discipline - Profitable positions where valuations rise to unsupportable levels, or loss-making positions where investment thesis is not unfolding as envisioned

What we are wary of

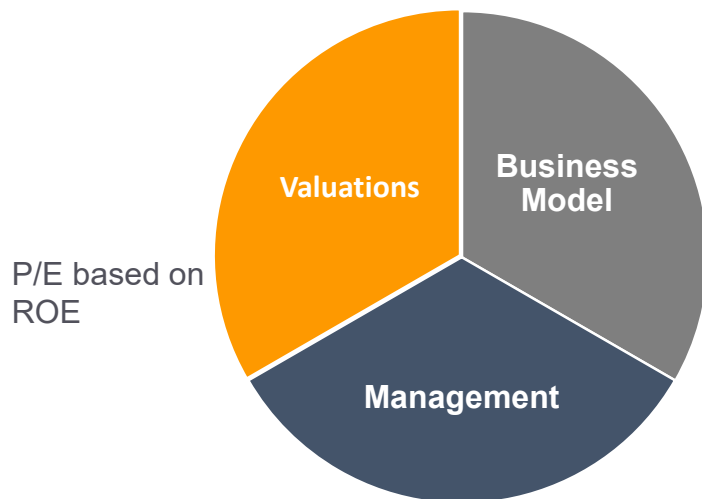
- ▶ Capital misallocation
- ▶ Disruptive competition
- ▶ High sensitivity to changing regulations

Our edge: Temperament, research capability and eliminating behavioral biases

Pillars of stock selection

Business	Management	Valuation
<p><i>Simple & predictable</i> Exide – Leading battery manufacturer Ramco Cement – Most profitable south based cement player Supreme Industries – Largest polymer processor</p> <p><i>Large & high growth potential sectors</i> Financials, Healthcare, Agriculture</p> <p><i>Competitive advantage</i> Divis – Unique chemistry skills leading to durable topline and bottom line growth(10 year sales CAGR 14%). Very low competition IPCA - Lowest cost manufacturing, backward integration Ramco Cement – Lowest cost and most efficient cement producer Voltas – Brand & Distribution</p> <p><i>Positive Cash Flows & High ROE</i> 5 Year avg ROE of some of our investee companies Bajaj Finance (20.6%) Symphony (39.8%) Supreme Industries (27.7%)</p> <p><i>Businesses at the cusp of a turnaround</i> Identified companies like Atul Ltd and SRF Ltd early in their cycle which showed: Consistent profit growth Massive turnaround in ROE P/E re rating</p>	<p><i>Credible & Capable managements</i> Bajaj Finance which moved from being a small cap to a mega cap in the past decade Profit Growth – 55% Price Appreciation – 84% Average ROE – 18%</p> <p><i>Passion & Ownership of promoters</i> Basic check for all portfolio companies</p> <p><i>Past track record</i> Basic check for all portfolio companies</p> <p><i>Prudent capital allocation</i> SRF - Superior capital allocation strategy, enabling the company to diversify from technical textiles (commoditized) to high entry barrier businesses such specialty chemicals and refrigerant gases</p>	<p><i>Valuation to be looked at in conjunction with strength of business and quality of management</i></p> <ul style="list-style-type: none">• Bought Symphony at 14 P/E in Dec 2012.• Company showed earnings growth of over 35% from Q1 FY 14 to Q3 FY 15• Held the stock as valuations rose from 14x to 90x• Trimmed position in 2015 as valuations and growth were not in conjunction and fundamentals were marginally declining

Investment Framework



Tax Rate > 20%
Payout Ratio > 15%

3 Yr. Avg. ROE >16%
5 Yr. Avg. EBITDA Growth > 13%
5 Yr. Avg. PAT Growth >13%
Margin Increase: EBITDA Growth > Sales Growth
Earnings per share (EPS) Growth variation <100%
Net Debt/EBITDA < 3x
Positive free cash flow yield
Receivables, Inventory & Payable days variation < 30 days

~75% of our portfolio meets these criteria.

The balance ~25% includes companies that we believe are on the cusp of turnarounds and may not satisfy one or more of these criteria today

Quantifiable metrics to evaluate the 3 pillars

Source: Internal. The DSP Strategy has been implemented since 14 Nov 2006 by DSP Investment Managers Pvt. Ltd., and is not registered with regulators in any jurisdiction except for India. The data mentioned in this presentation do not constitute any research report/recommendation of the same and the metrics being followed by the DSP Strategy may change in future, Internal, Aug 2019. *Past performance may or may not sustain in future and should not be used as a basis for comparison with other investments*

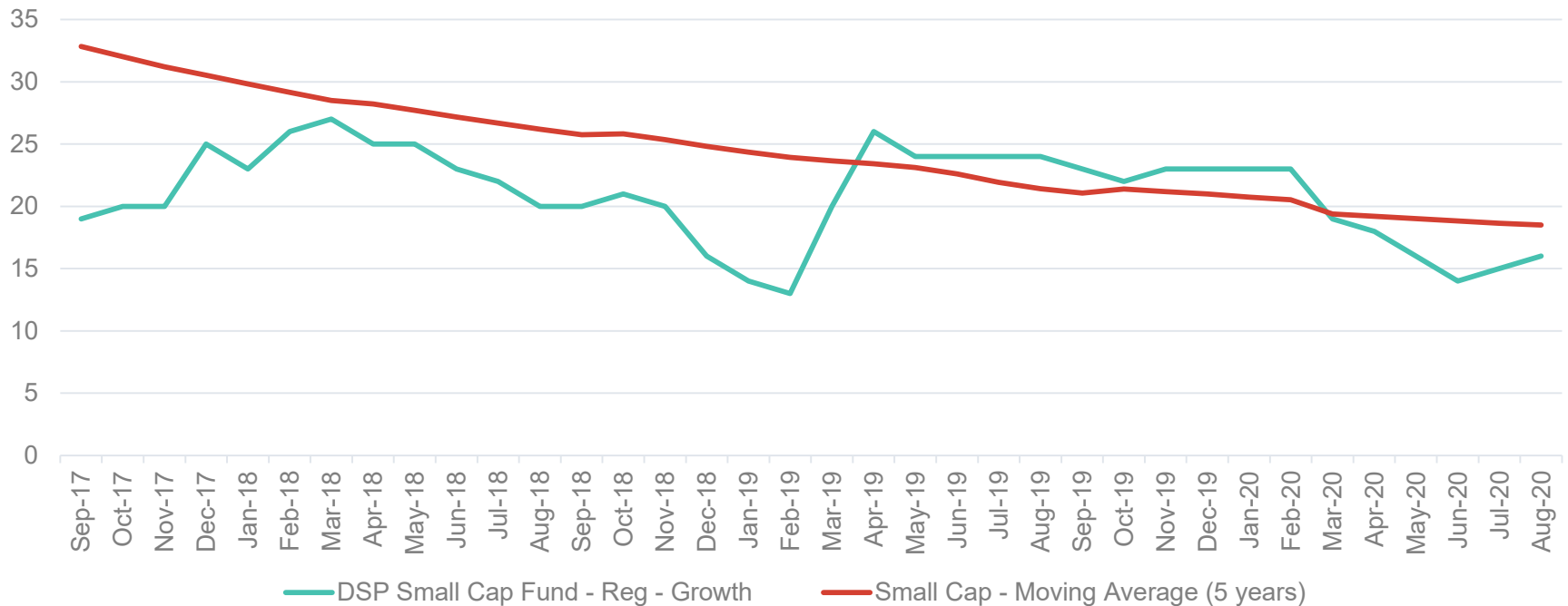
Stock Elimination

- ▶ Avoid highly cyclical commodity companies as it is not our strength to predict these cycles (such as in metals and commodities companies)
- ▶ Avoid companies that are frequently diluting equity / raising capital because principally it may be a sign of capital inefficiency and misuse of cash, except banking companies
- ▶ Avoid companies with complex holding / capital structure, multiple subsidiaries created without strong justification and promoters with multiple business interests
- ▶ Avoid companies with known corporate governance issues (these become tempting investments during strong bull markets)

To start with

In stock market, money is made by investing in capital efficient businesses for long term

Turnover Ratio – DSP Small Cap Fund



Annual Report – First hand information

- ▶ Very few analyst read
- ▶ Should be read like a story book .. (4-5 yrs)
- ▶ Comprehensive information about the management's overview, business outlook (MD&A), accounting details, subsidiary information, forex, management's remuneration, auditors, shareholding information etc
- ▶ Better than analyst report
- ▶ Gives insight into softer issues beyond numbers

In a world that is changing at a faster pace than ever before, businesses need to **re-think, re-align and re-define their strategy.**

At Jubilant FoodWorks Limited (JFL), we have always believed that today's wisdom will become ineffective tomorrow. To stay ahead, it is critical to never stop learning and never stop asking ourselves 'what's next'. Being relevant and ready is the name of the game.

In a marketplace influenced by digital disruptions, spending pattern of the millennial generation and changing attitude of consumers, we can already glimpse the future.

We are delighted to share with you the roadmap as we ready ourselves for tomorrow's challenges and opportunities with renewed vigour, vision and velocity.



At JFL, we are re-imagining the world by looking at the future through different lenses of demographics, culture, consumption and technology so as to understand, anticipate and adapt to this exciting new world.

Jubilant Foodworks Ltd

**Strengthening Fundamentals.
Steering Growth.**

Annual Report 2017-18 • Jubilant FoodWorks Limited

VECTORS OF GROWTH

Annual Report 2018-19

Jubilant Foodworks Ltd – Covid response

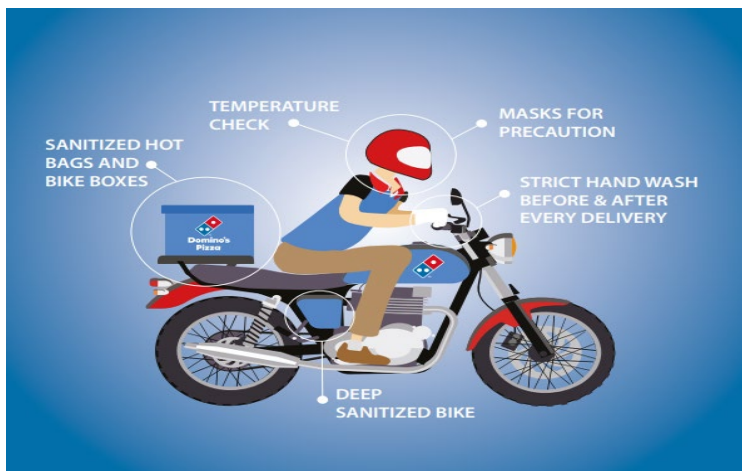
As a food company driven by expertise in delivery, we have mounted a rapid response in view of the changes in the market scenario due to COVID-19. We were the first in the industry to introduce effective safety and sanitisation protocols specific to the virus. We have been resilient and have taken some transformational steps. Acting with due foresight, we put in place Zero Contact Delivery systems across all our 1,335 restaurants in the country, even before the lockdown began on March 25. This feature has been introduced as an additional precautionary measure to ensure the safety of both customers and the delivery staff. We extended these protocols later to cover our Zero Contact Takeaways and Zero Contact Dine-in.



LEADING WITH RESILIENCE



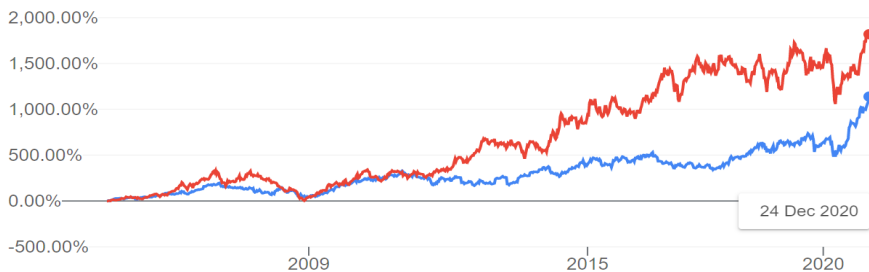
Annual Report
2019-20



New economy survivor vs old economy .

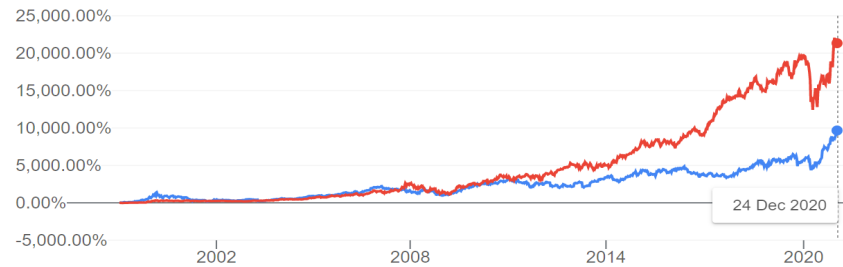
● Infosys Ltd	1,237.35 INR	1,132.30% ↑
● UltraTech Cement Ltd	5,041.90 INR	1,819.63% ↑

3 months 6 months YTD 1 year 5 years **Max**



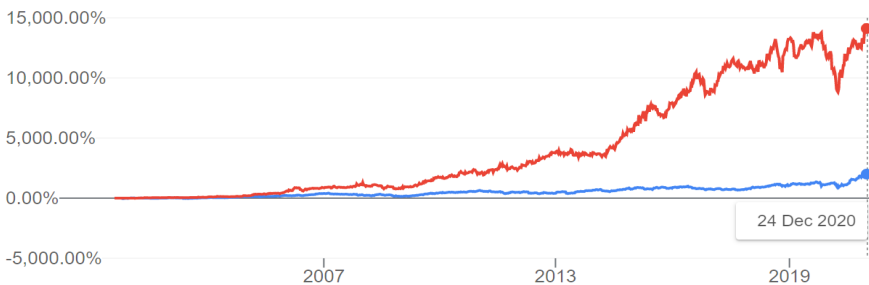
● Infosys Ltd	1,237.35 INR	9,604.71% ↑
● HDFC Bank Limited	1,395.90 INR	21,375.38% ↑

3 months 6 months YTD 1 year 5 years **Max**



● Infosys Ltd	1,237.35 INR	2,044.08% ↑
● Marico Limited Fully Paid Ord. Shrs	402.85 INR	14,084.86% ↑

3 months 6 months YTD 1 year 5 years **Max**



● Infosys Ltd	1,237.35 INR	2,236.39% ↑
● Maruti Suzuki India Ltd	7,449.00 INR	4,349.82% ↑

3 months 6 months YTD 1 year 5 years **Max**

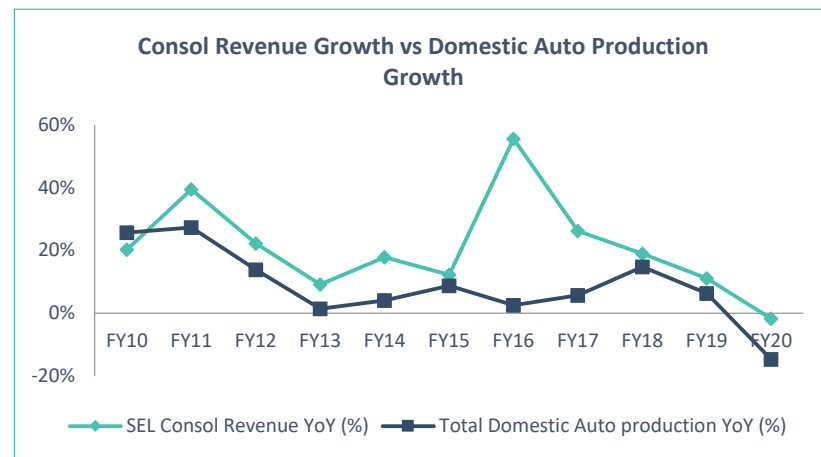
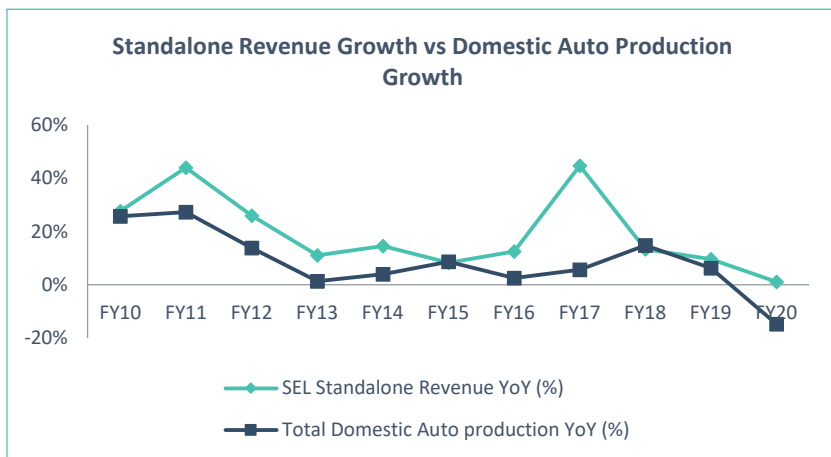


Suprajit Engineering

▶ ‘The vision of Suprajit 2.0 is to pursue organic growth aggressively, and to explore focused inorganic growth opportunities, with the desire to grow profitably and to perform better than our peers. Team Suprajit continues to work in this direction relentlessly’ – **Chairman’s Speech, FY16 Annual Report**

▶ “We've always said that we would grow 5% to 10% faster than the industry and we have been able to achieve that”. – **Management Commentary, 3QFY15 Investor Conference Call**

▶ We still believe that we can out perform Indian automotive industry. If you think Indian automotive will be minus 10% this year, we will still out beat that, so that confidence is there.” – **Management commentary, 4QFY20 Investor Conference Call**



Source FY20 Annual report

IPO – Dressing up the bride

(Amount in millions)

Sr No	Particulars	For the years ended				
		31-Mar-16	31-Mar-15	31-Mar-14	31-Mar-13	31-Mar-12
		₹	₹	₹	₹	₹
G	Income					
	Revenue from operations (gross)	7,604.19	5,621.04	4,488.33	3,470.37	1,737.81
	Less: excise duty	32.29	32.97	32.18	32.89	11.24
	Revenue from operations (net)	7,571.90	5,588.07	4,456.15	3,437.48	1,726.57
	Other income	7.10	17.64	12.30	7.34	6.32
	Total revenue	7,579.00	5,605.71	4,468.45	3,444.82	1,732.89
H	Expenses					
	Cost of raw material and components consumed	4,975.64	3,808.06	3,107.61	2,381.65	1,190.02
	Purchase of traded goods	263.68	247.86	162.01	60.52	25.78
	(Increase) / Decrease in inventories of finished and traded goods	(17.82)	(16.09)	14.68	(34.33)	(48.52)
	Employee benefits expense	183.58	137.32	89.40	54.86	22.24
	Other expenses	1,601.84	1,072.26	880.91	699.50	355.32
	Total Expenses	7,006.92	5,249.41	4,254.61	3,162.20	1,544.84
I	Profit before interest, tax, depreciation and amortisation (G)-(H)	572.08	356.30	213.84	282.62	188.05
	Depreciation and amortisation expenses	179.87	153.38	116.75	68.19	27.83
	Finance costs	58.84	63.26	47.25	36.08	8.70
	Restated profit before exceptional item and tax	333.37	139.66	49.84	178.35	151.52
	Exceptional item	58.02	19.19	-	-	-
J	Restated profit before tax and after exceptional items	275.35	120.47	49.84	178.35	151.52

28% below the IPO price as on 24th Dec 2020 (PS)

IPO – Dressing up the bride

RESTATED SUMMARY STATEMENT OF PROFIT AND LOSS

(All amounts in Millions Rupees except for share data or as otherwise stated)

	Particulars	Annexure	For the year ended				
			31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013
I	INCOME						
	Revenue from operations (Gross)	XXVI	6,217.30	5,351.13	4,618.40	4,807.75	4,253.60
	Less: Excise duty		4.81	5.92	16.82	26.35	23.27
	Revenue from Operations (Net)		6,212.49	5,345.21	4,601.58	4,781.40	4,230.33
	Other income	XXVII	42.98	43.09	55.46	49.12	26.86
	Total Revenue		6,255.47	5,388.30	4,657.04	4,830.52	4,257.19
II	EXPENSES						
	Cost of Materials Consumed	XXVIII	1,050.96	761.79	612.01	503.55	542.97
	Purchase of Stock-In-Trade	XXIX	2,782.98	2,467.12	2,548.54	2,563.52	2,502.48
	Changes in Inventories of Finished Goods, Work- In-Progress and Stock-In-Trade	XXX	(119.76)	130.69	(36.86)	73.64	(248.06)
	Employee benefit expenses	XXXI	551.88	452.83	460.71	421.51	363.55
	Finance costs	XXXII	134.63	145.50	192.15	256.08	243.04
	Depreciation and amortisation expenses	XVI	159.01	162.88	191.79	105.67	82.77
	Other expenses	XXXIII	1,288.71	1,009.28	879.75	723.60	635.26
	Total expenses		5,848.41	5,130.09	4,848.09	4,647.57	4,122.01
III	Restated profit/(loss) before tax (I-II)		407.06	258.21	(191.05)	182.95	135.18

84% below the IPO price as on 24th Dec 2020 (KI)

Capital allocation drives value creation

- ▶ Appropriate capital allocation enhances value
- ▶ Management's vision is the key

Cera Sanitaryware – DCF considering one line of business

Rs crs

Sanitaryware business matrix	FY21	FY22	FY23	FY24	FY25	FY26	FY27
EBIT	79	84	91	97	104	112	120
Other Income	18	20	20	24	28	33	38
Interest	6	6	6	6	6	6	6
PBT	91	98	105	115	126	139	152
Tax	24	26	27	30	32	35	37
Tax rate (%)	26%	26%	26%	26%	26%	26%	26%
Working Capital Changes	-	-4	-4	-5	-5	-5	-6
Capex	-30	-26	-17	-18	-19	-20	-21
FCFF	62	69	84	92	101	111	122

Growth rate FY21-FY27	7%
WACC	10%
Sum of PV	471
Terminal growth	4%
Terminal Value	1,087
Total	1,858
No of shares	1
Per Share value	1,429

Cera's implied fair value at Rs 1,429/share discounting only Sanitaryware's cashflows.

Cera Sanitaryware – Value creation by diversifying into complementary categories

Consolidated	FY21	FY22	FY23	FY24	FY25	FY26	FY27
EBIT	132	142	158	185	217	254	296
Other Income	18	23	29	36	44	53	65
Interest	6	6	6	6	6	6	6
PBT	144	159	181	215	255	301	354
Tax	37	41	47	57	65	75	86
Tax rate (%)	26%	26%	26%	26%	26%	26%	26%
Working Capital Changes	-	-17	-19	-22	-25	-29	-33
Capex	-30	-40	-31	-32	-33	-34	-35
FCFF	116	103	128	152	180	213	251

Growth rate FY21-FY27	15%
WACC	10%
Sum of PV	826
Terminal growth	5%
Terminal Value	2,706
Total	3,832
No of shares	1
Per Share value	2,948

- ▶ Cera diversified into faucets and tiles in 2014
- ▶ Increased the addressable opportunity size
- ▶ Medium term growth rate increased to 15% led by newer categories
- ▶ As a result fair value per share almost doubled to Rs 2948/share

Don't predict the market. Invest for long term

JAN 2008

SENSEX – 20300

NIFTY – 6144

NIFTY P/E - 27

Earnings growth to remain strong at ~20% CAGR over the next 4-5 years with Nifty levels of 10,000 by CY10 (our bottom-up estimate for Nifty end-CY10 is 9,680)

Sensex target of 21,000-25,000

- With strong earnings growth ahead and positive outlook on interest rates, we believe that valuations will remain rich for Indian equities.
- We base our Sensex target range on a P/E band of 14-17x FY10E EPS of Rs1,373.
- We also add an embedded value of 1,800 points. Our Sensex target range is now 21,000-25,000, which implies an upside range of 4-24% based on FY10 estimates.

~9%GDP growth sustainable for next couple of years, as India's potential growth rate is rising & growth cushions :

MARKET NEWS MAY 6, 2008 / 5:38 PM / 11 YEARS AGO

"Super-spike" could lift oil to \$200:
Goldman

May 2008 – 120\$

December 2008 – 40\$

DEC 2008

SENSEX – 9647

NIFTY – 2959

NIFTY P/E - 13

Don't predict the market

JAN 2009

SENSEX – 9903

NIFTY - 3033

Sensex: 9,406

India Strategy

Stay Defensive !

India Equity Strategy

**Have we seen the
bottom yet?**

We still expect lower markets led by earnings downgrades

DEC 2009

SENSEX – 17464

NIFTY - 5201

Key Learnings

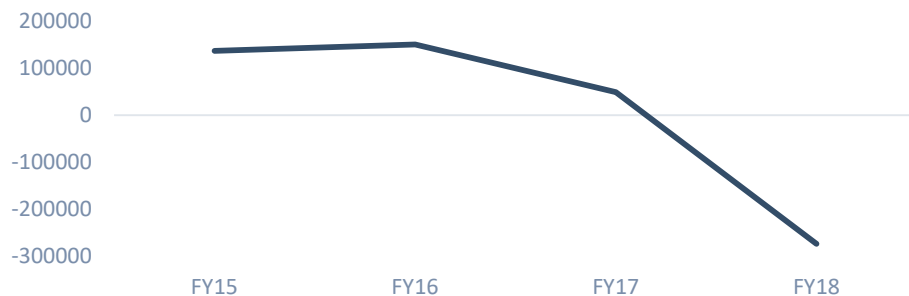
1. Consensus generally goes wrong
2. Keep focusing on core fundamentals
3. Market's will surprise/shock you

Balance sheet strength is important

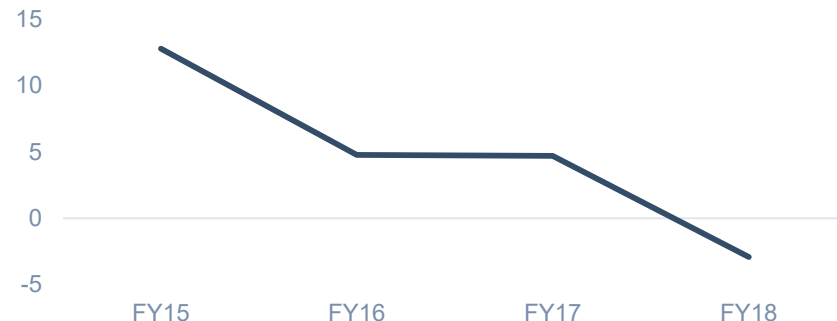
CY 2018 Performance - Nifty 50 **4.6%**, Nifty Midcap 100 **-14.6%**, Nifty Small Cap 250 **-26.1%**

Worst 50 performers amongst Nifty 500 index for CY 2018
(Avg performance - CY 17 **103%**, CY 18 **-62.5%**)

Profits (in INR Mn)

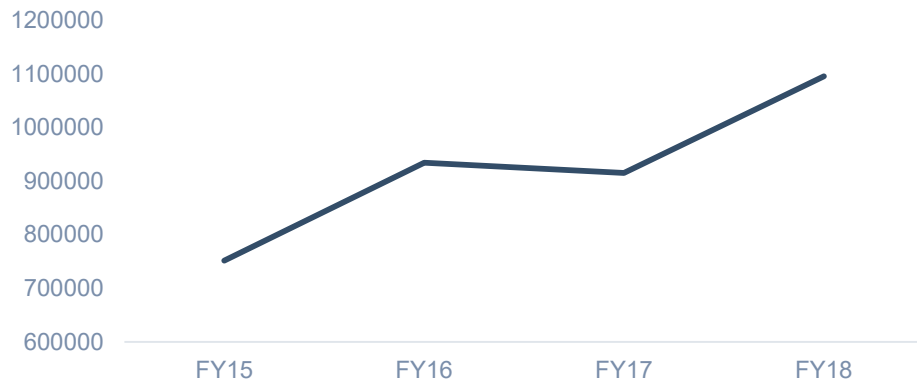


Average ROE (%)

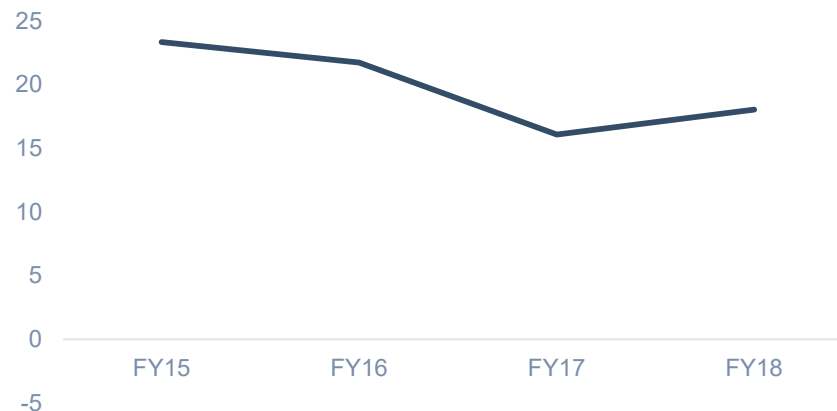


Best 50 performers amongst Nifty 500 index for CY 2018
(Avg performance - CY 17 **101%**, CY 18 **39.1%**)

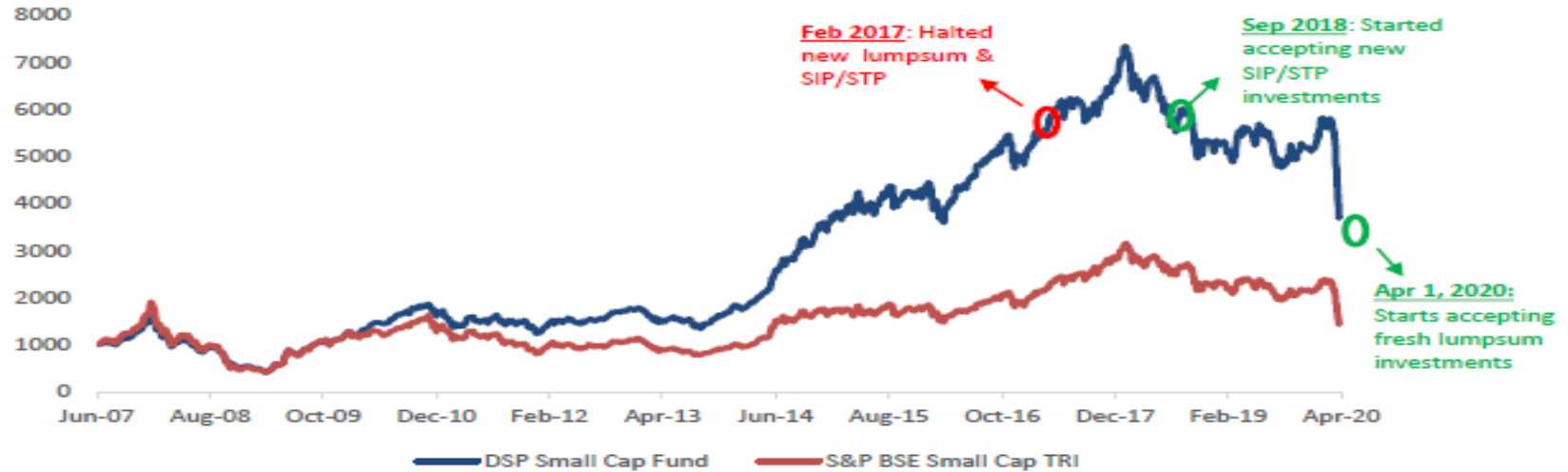
Profits (in INR Mn)



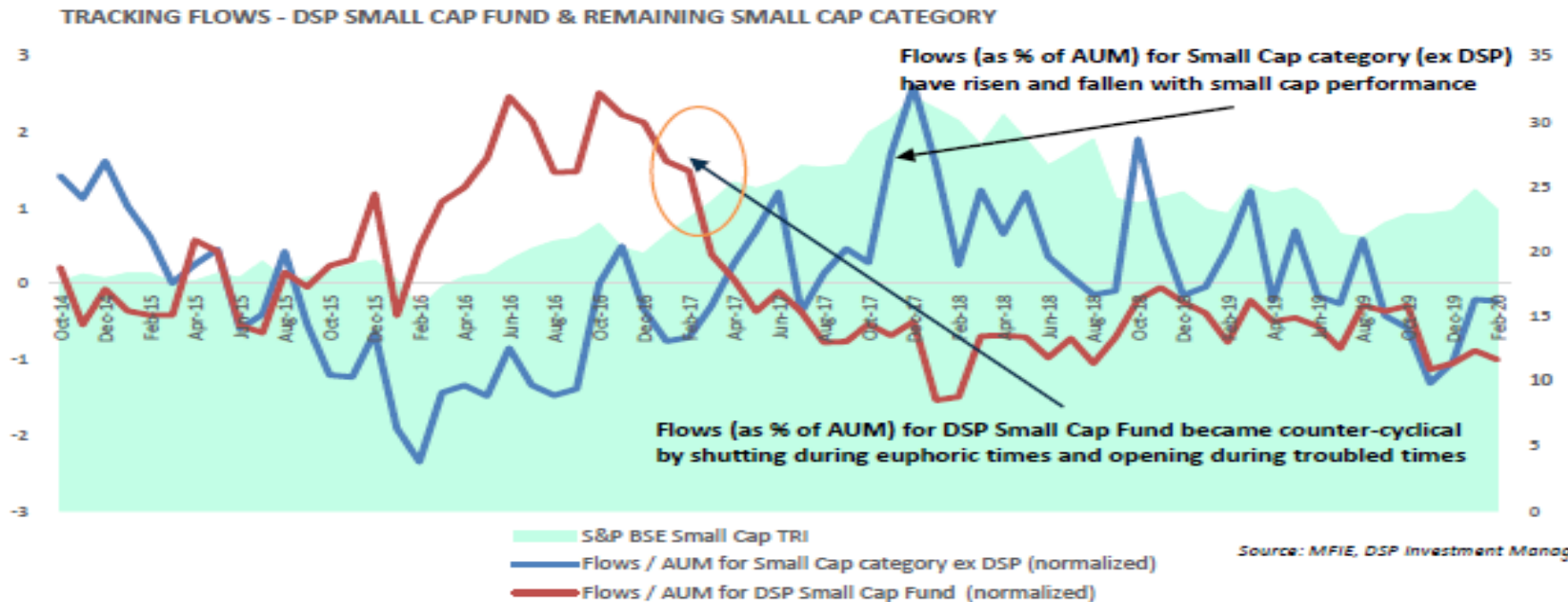
Average ROE (%)



Investor behavior – We change our product strategy in investors interest



Source: DSP Investment Managers, MFIE



Source: MFIE, DSP Investment Managers

KEY PERFORMANCE INDICATORS - LAST TEN YEARS

Fiscal Year →	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Engines Sold (Nos.)	18225	17631	17702	16408	28539	39143	47413	55239	57377	74062
Total Revenue (Net)^	123.52	128.18	129.32	125.54	208.34	286.62	363.45	452.64	486.11	614.75
PBIDT	27.73	25.81	26.58	23.36	32.04	53.75	63.08	73.43	78.56	97.11
Finance Charges (Net)	0.15	0.14	(0.45)	(3.27)	(4.87)	(5.80)	(5.73)	(8.10)	(8.10)	(10.97)
Depreciation	3.96	4.26	4.40	4.59	4.69	4.84	4.46	4.26	7.16	9.12
Profit Before Exceptional Items	23.62	21.41	22.63	22.04	32.22	54.71	64.35	77.27	79.50	98.96
Exceptional Items [Expenses / (Income)]	-	-	-	-	-	-	-	-	-	1.15
Profit Before Tax	23.62	21.41	22.63	22.04	32.22	54.71	64.35	77.27	79.50	97.81
Income Tax	8.19	7.42	7.77	7.68	10.95	17.36	20.44	24.45	24.10	30.81
Profit After Tax	15.43	13.99	14.86	14.36	21.27	37.35	43.91	52.82	55.40	67.00
Dividend %	225	75*	Nil	50	50	80	100	130	330 #	350#
Dividend Payout	9.31	9.31	Nil	6.21	6.21	9.94	12.42	16.15	40.99	43.47
Equity Share Capital	4.14	12.42*	12.42	12.42	12.42	12.42	12.42	12.42	12.42	12.42
Net Worth	57.64	61.01	75.87	82.96	96.97	122.74	152.22	186.28	193.73	209.88
Capital Employed	65.80	67.29	81.41	88.04	100.84	125.42	154.14	189.48	200.06	216.82
Market Capitalisation	144.07	183.20	176.36	265.78	118.05	360.36	532.93	498.10	490.58	859.20
PBIDT/Total Revenue %	22.4	20.1	20.6	18.6	15.4	18.8	17.4	16.2	16.2	15.8
Return on Net Worth %	26.8	22.9	19.6	17.3	21.9	30.4	28.9	28.4	28.6	31.9
Earning Per Share (Rs.)	37.3	11.3*	12.0	11.6	17.1	30.1	35.4	42.5	44.6	53.9
Book Value Per Share (Rs.)	139.2	49.1*	61.1	66.8	78.1	98.8	122.6	150.0	156.0	169.0

*On Post Bonus (2:1) Equity

#Include Special Dividend of 200%

^ Total Revenue (Net) from 2012 onwards exclude interest income

19%

18%

15%



DSP owns 5.9% of the company capital

KEY PERFORMANCE INDICATORS - LAST TEN YEARS

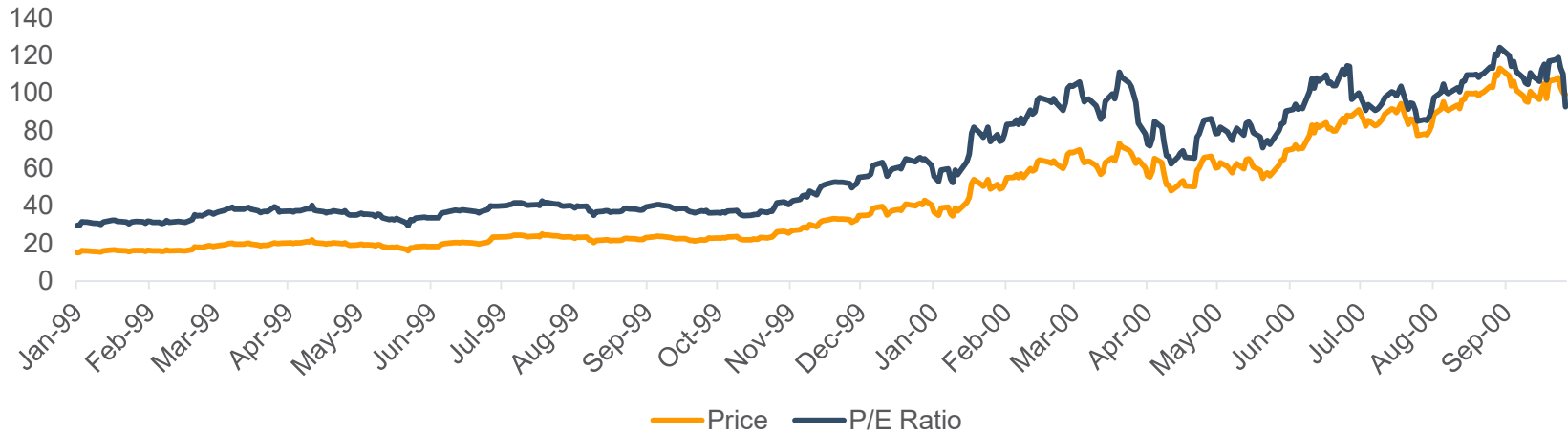
(Rs. in Crores)

Fiscal Year →	Indian GAAP					Ind AS*				
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Engines Sold (Nos.)	47413	55239	57377	74062	64595	64088	82297	92022	99638	89928
Net Operating Revenue	360.63	448.58	479.03	608.28	539.70	525.91	666.14	771.16	871.74	773.30
PBIDT	60.71	69.37	71.49	90.63	74.71	73.76	104.54	121.59	131.65	100.43
Finance Cost	0.04	0.08	0.15	0.04	0.01	0.05	0.01	1.01	0.09	0.01
Depreciation	4.46	4.26	7.16	9.12	13.20	13.80	16.28	16.82	19.54	20.13
Profit Before Other Income & Tax	56.21	65.03	64.18	81.47	61.50	59.91	88.25	103.76	112.02	80.29
Other Income	8.14	12.24	15.32	17.49	16.32	16.30	17.21	18.96	15.38	12.78
Profit Before Exceptional Items & Tax	64.35	77.27	79.50	98.96	77.82	76.21	105.46	122.72	127.40	93.07
Exceptional Items	-	-	-	1.15	-	-	-	-	-	-
Profit Before Tax	64.35	77.27	79.50	97.81	77.82	76.21	105.46	122.72	127.40	93.07
Income Tax	20.44	24.45	24.10	30.81	25.98	24.90	36.63	42.62	44.98	22.03
Profit After Tax	43.91	52.82	55.40	67.00	51.84	51.31	68.83	80.10	82.42	71.04
Other Comprehensive Income (Net of Tax)	-	-	-	-	-	(0.11)	0.20	(0.29)	(0.14)	(0.43)
Total Comprehensive Income	-	-	-	-	-	51.20	69.03	79.81	82.28	70.61
Dividend %	100	130	330#	350#	330#	330#	430#	500#	500#	400#
Dividend Payout	12.42	16.15	40.99	43.47	40.99	40.99	53.40	60.63	60.64	48.53
Equity Share Capital	12.42	12.42	12.42	12.42	12.42	12.42	12.42	12.13	12.13	12.13
Net Worth	152.22	186.28	193.73	209.88	261.47	263.44	283.37	228.50	237.98	235.89
Capital Employed	154.14	189.48	200.06	216.82	267.78	271.04	289.64	234.29	245.14	240.49
Market Capitalisation	532.93	498.10	490.58	859.20	1003.83	1063.88	1842.48	2431.04	1708.78	1098.08
Return on Net Worth	28.9%	28.4%	28.6%	31.9%	19.8%	19.5%	24.3%	35.1%	34.6%	30.1%
Earning per Share (Rs.)	35.4	42.5	44.6	53.9	41.7	41.3	55.4	64.6	68.0	58.57
Book Value per Share (Rs.)	122.6	150.0	156.0	169.0	210.5	212.1	228.2	188.4	196.2	194.4

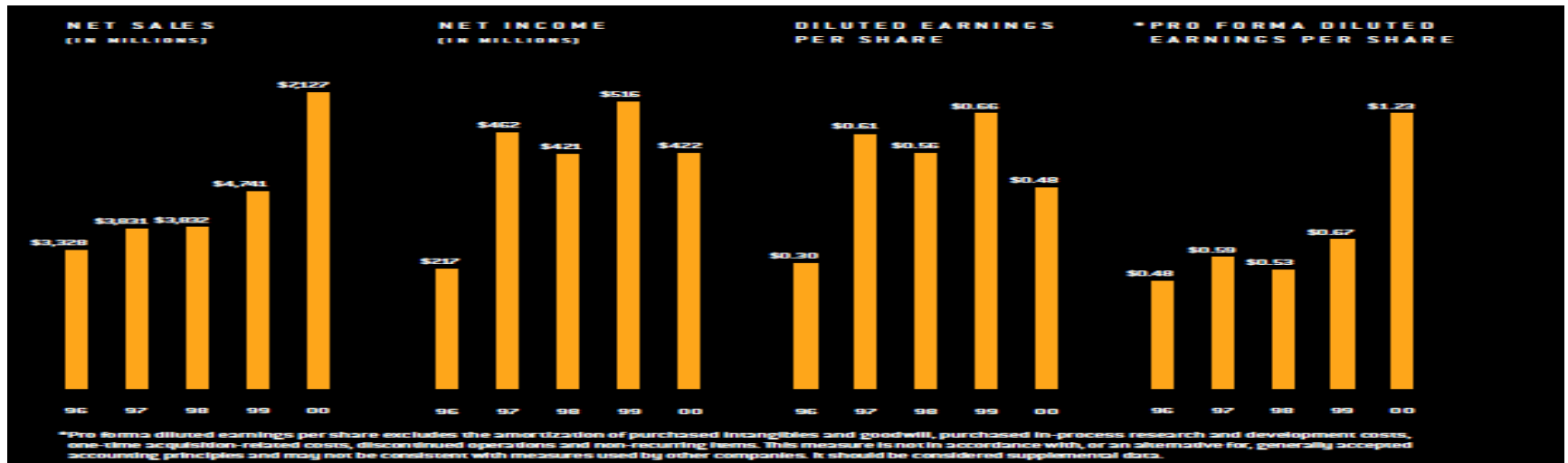
include Special Dividend of 200% in 2013 & 2014 and 180% in 2015 & 2016 and 250% in 2017, 2018 & 2019 and 150% in 2020.

* The Company transitioned into Ind AS from April 1, 2016

Case Study: Corning



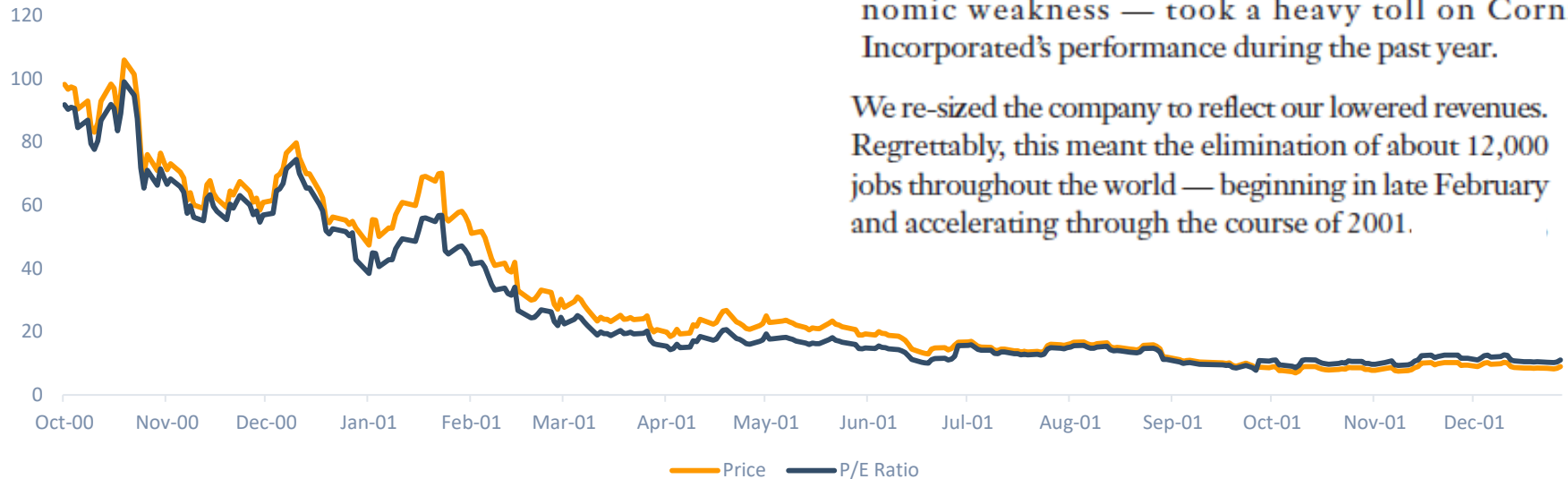
Corning's financial performance in 2000 was strong as the company recorded sales at \$7.1 billion, the highest sales ever in its 149-year history.



Case Study: Corning

Extremely challenging business conditions in the telecommunications sector — against a backdrop of global economic weakness — took a heavy toll on Corning Incorporated's performance during the past year.

We re-sized the company to reflect our lowered revenues. Regrettably, this meant the elimination of about 12,000 jobs throughout the world — beginning in late February and accelerating through the course of 2001.



Key Learnings

- ▶ Themes can change quickly
- ▶ 100 PE = what is the payback ? even if profit were assumed to grow at 25%, it would need 18yr + for payback (assuming FD rate of 6% as discount rate)
- ▶ Robust companies with robust balance-sheets outperform in long run

Base rate

- ▶ Compare key matrix with peers
- ▶ Outlier should trigger further investigation

2018 – Learnings from the past



- ▶ Learning from 2000 market peaks
- ▶ We started trimming at extreme valuation at first sign of business outlook changing.
- ▶ Perception change from technology to commodity

Disclaimer

*In this material DSP Investment Managers Pvt. Ltd. (the AMC) has used information that is publicly available, including information developed in-house. Information gathered and used in this material is believed to be from reliable sources. The AMC however does not warrant the accuracy, reasonableness and / or completeness of any information. The data/statistics are given to explain general market trends in the securities market, it should not be construed as any research report/research recommendation. 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. The sector(s)/stock(s)/issuer(s) mentioned in this presentation do not constitute any research report/recommendation of the same and the Fund may or may not have any future position in these sector(s)/stock(s)/issuer(s). The portfolio of the scheme is subject to changes within the provisions of the Scheme Information document of the scheme. Please refer to the SID for investment pattern, strategy and risk factors. **Past performance may or may not be sustained in the future and should not be used as a basis for comparison with other investments.** All figures and other data given in this document are as on August 30, 2019 (unless otherwise specified) and the same may or may not be relevant in future and the same should not be considered as solicitation/ recommendation/guarantee of future investments by DSP Investment Managers Pvt. Ltd. or its affiliates. Investors are advised to consult their own legal, tax and financial advisors to determine possible tax, legal and other financial implication or consequence of subscribing to the units of DSP Mutual Fund. For scheme specific risk factors and more details, please read the Scheme Information Document, Statement of Additional Information and Key Information Memorandum of respective Scheme available on ISC of AMC and also available on <https://www.dspim.com/>*

Indices are unmanaged and used for illustrative purposes only and are not intended to be indicative of any fund’s performance. It is not possible to invest directly in an index. Past performance is not a reliable indicator of future results.

DSP Equity Fund (‘DSPEF’), DSP Equity Opportunities Fund (‘DSPEOF’) and DSP Tax Saver Fund (‘DSPTSF’), which are benchmarked to the Nifty 500 Index, are not sponsored, endorsed, sold or promoted by NSE INDICES LIMITED (formerly known as India Index Services & Products Limited (IISL). NSE INDICES LIMITED is not responsible for any errors or omissions or the results obtained from the use of such index and in no event shall NSE INDICES LIMITED have any liability to any party for any damages of whatsoever nature (including lost profits) resulted to such party due to purchase or sale or otherwise, of DSPEF, DSPEOF or DSPTSF marked to such index. DSP Midcap Fund (‘DSPMCF’), which is benchmarked to the Nifty Midcap 100 Index, is not sponsored, endorsed, sold or promoted by NSE INDICES LIMITED. NSE INDICES LIMITED is not responsible for any errors or omissions or the results obtained from the use of such index and in no event shall IISL have any liability to any party for any damages of whatsoever nature (including lost profits) resulted to such party due to purchase or sale or otherwise of DSPMCF marked to such index.

The S&P BSE 100, S&P BSE 200, S&P BSE Small Cap, S&P BSE Metals, S&P BSE Oil and Gas, S&P BSE SENSEX & S&P BSE Healthcare are product of Asia Index Private Limited, which is a joint venture of S&P Dow Jones Indices LLC or its affiliates (“SPDJI”) and BSE, and has been licensed for use by DSP Investment Managers Pvt. Ltd. Standard & Poor’s® and S&P® are registered trademarks of Standard & Poor’s Financial Services LLC (“S&P”); BSE® is a registered trademark of BSE Limited (“BSE”); and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC (“Dow Jones”). © Asia Index Private Limited 2014. All rights reserved.

The strategy mentioned has been currently followed and the same may change in future depending on market conditions and other factors.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.