



# Invesco India R.I.S.E Portfolio

R.I.S.E : R - Recovery in Demand, I - Idle Capacity-potential for operating leverage, S - Superior Business Model, E - Earnings Recovery

September 2019



This document is prepared by Invesco Asset Management (India) Private Ltd ('IAMI'). for informational purposes only and is not an offering. **Circulation, disclosure, or dissemination of all or any part of this material to any unauthorized persons is prohibited.**

# Turning Adversity Into Opportunity



## What

- Profits at subdued levels
- Some companies exhibiting low capacity utilization and high debt levels
- Fall in raw material prices a tailwind for some businesses

## Why

- Global Slowdown
- Mixed trends at a nascent stage in recovery
- Weak commodity prices

## How

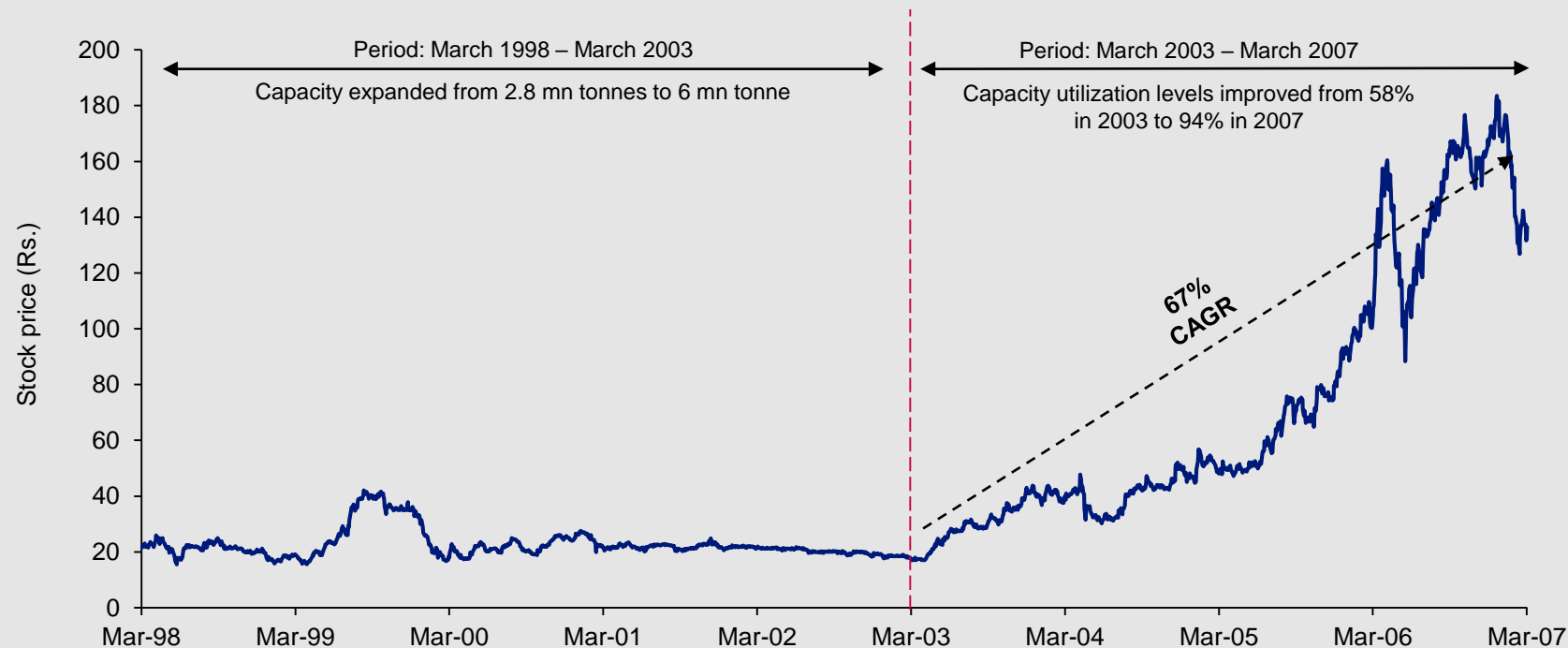
- Demand recovery would lead to better capacity utilization
- No further capex required to meet growth in demand
- Decline in financial leverage
- Profitability expected to spring back

**Transient Opportunity – Good businesses at attractive valuations; Spring effect on Profitability**

# Has it Happened Before?



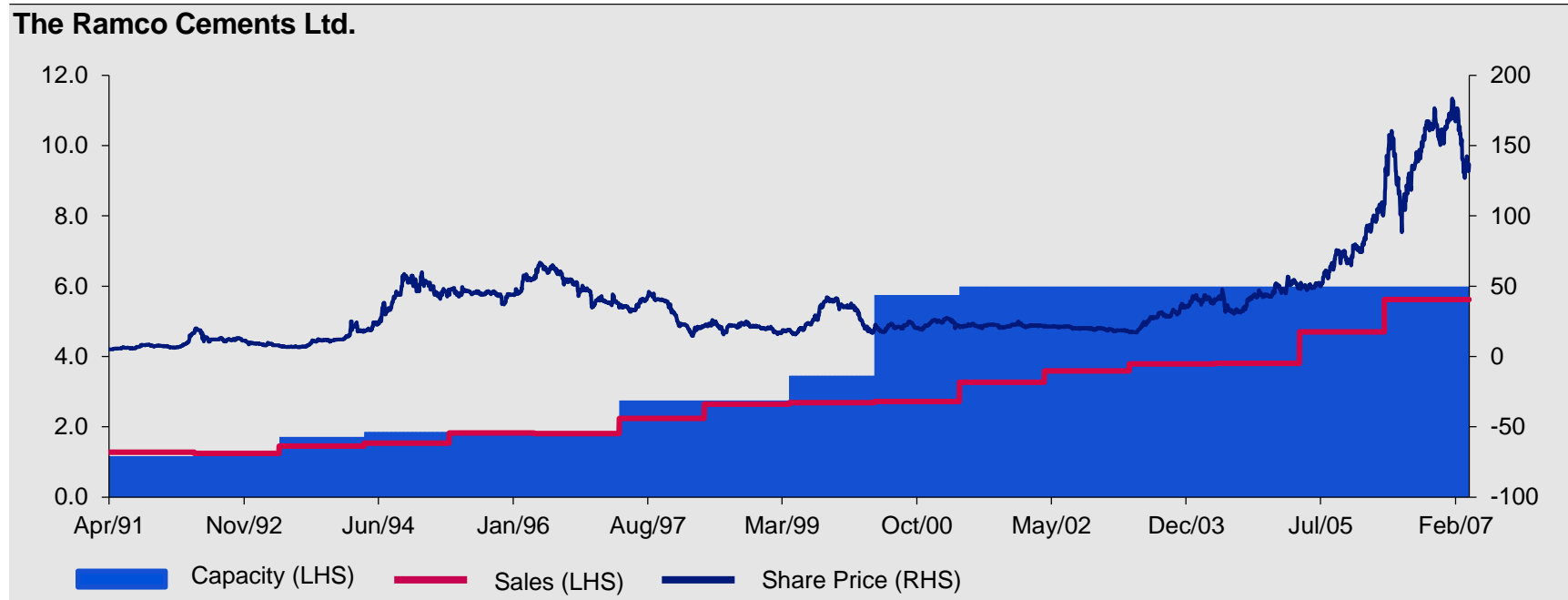
## The Ramco Cements Ltd. - Improved capacity utilization due to demand growth



Source: Invesco Asset Management (India) Private Ltd. / Bloomberg. Adjusted Share Price. CAGR: Compound Annual Growth Rate.

**Disclaimer: Past performance may or may not be sustained in future.** The above simulation is for illustration purpose only and should not be construed as a promise on minimum returns and safeguard of capital. IAMI is not guaranteeing or forecasting any returns. The stock referred above should not be construed as recommendation, advice to buy, sell or in any manner transact in this stock and neither should it be considered as Research Report from Invesco Asset Management (India) Private Ltd. ("the Portfolio Manager" / "IAMI"). The Portfolio Manager may or may not hold position in this stock in future.

# Why Does it Happen?



- Capacity expansions happen in step fashion-minimum economic size of a new manufacturing plant/factory
- Demand growth is linear and prone to fluctuations
- Results in periods where capacity is ahead of demand
- But when utilization increases (gap between capacity & sales reduces) then margins and profits spring back

Source: Invesco Asset Management (India) Private Ltd. / Bloomberg. Adjusted Share Price. **CAGR**: Compound Annual Growth Rate.

**Disclaimer: Past performance may or may not be sustained in future.** The above simulation is for illustration purpose only and should not be construed as a promise on minimum returns and safeguard of capital. IAMI is not guaranteeing or forecasting any returns. The stock referred above should not be construed as recommendation, advice to buy, sell or in any manner transact in this stock and neither should it be considered as Research Report from Invesco Asset Management (India) Private Ltd. ("the Portfolio Manager" / "IAMI"). The Portfolio Manager may or may not hold position in this stock in future.

# Presenting Invesco India R.I.S.E Portfolio

R.I.S.E : R - Recovery in Demand, I - Idle Capacity-potential for operating leverage, S - Superior Business Model, E - Earnings Recovery



- Recovery in Demand
- R.I.S.E in Discretionary Spending



- Idle Capacity – Potential for operating leverage
- Interest cost to decline as financial leverage declines



- Superior Business models; healthy balance sheets
- Suppressed Earnings; can spring back swiftly



- Earnings recovery on the back of operating & financial leverage
- Expansion of Valuation can add to returns

---

Investments in companies which are expected to benefit from operating & financial leverage.

---

Exposure to companies which benefit from revival in economic growth & rise in consumer discretionary spending.

---

Participate in companies with strong business model, suppressed valuations & higher dividend yield.

---

Bottom-up stock picking, High conviction portfolio

---

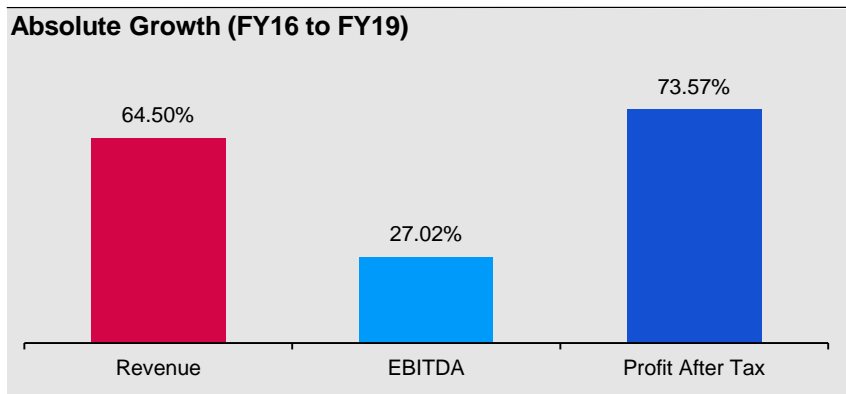
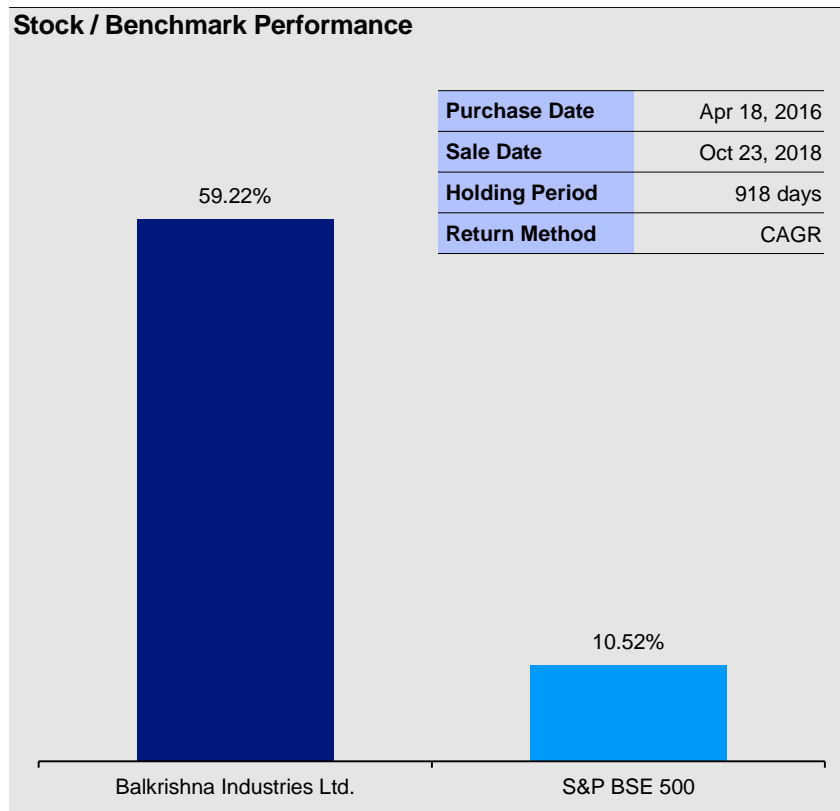
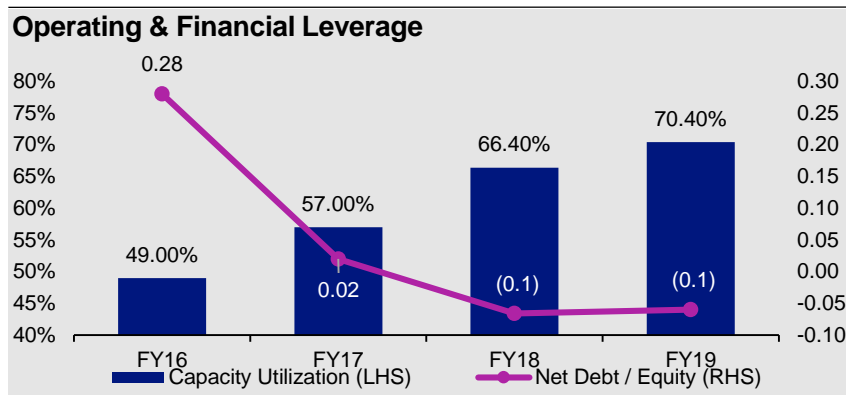


# Portfolio Strategy in action



# Balkrishna Industries Ltd.

Higher capacity utilization lead to Margin expansion & reduction in Net Debt to Equity



**Past performance may or may not be sustained in future.**

**Note:** Performance has been shown from the period when stock was included in the portfolio. **Data Source:** Company reports, Capitaline & Internal. **EBITDA:** Earnings before interest, taxes, depreciation, and amortization. **CAGR:** Compounded annualize growth rate.

**Disclaimer:** The stock referred above should not be construed as recommendation, advice to buy, sell or in any manner transact in this stock and neither should it be considered as Research Report from IAMI. The Portfolio may or may not have any present or future positions in this stock or in any other portfolios offered by Invesco Asset Management (India) Private Limited. The performance of above stock should not be construed as performance of the portfolio as the portfolio would be constituted of number of stocks having different weights and the individual stock held by the portfolio may or may not give positive returns. **Invesco Asset Management (India) Private Limited is not guaranteeing or promising or forecasting any returns.**

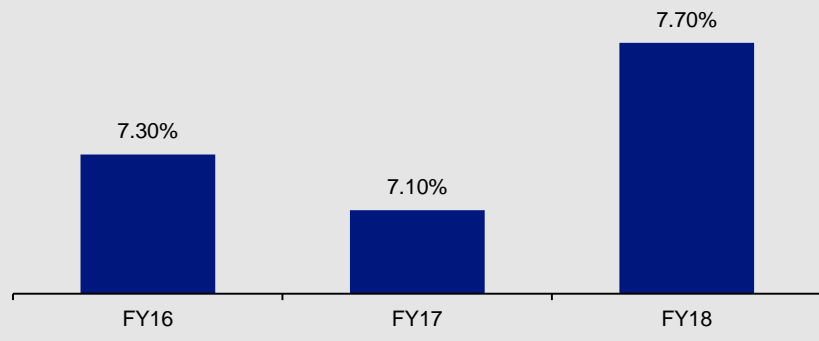


# TVS Motor Company Ltd.

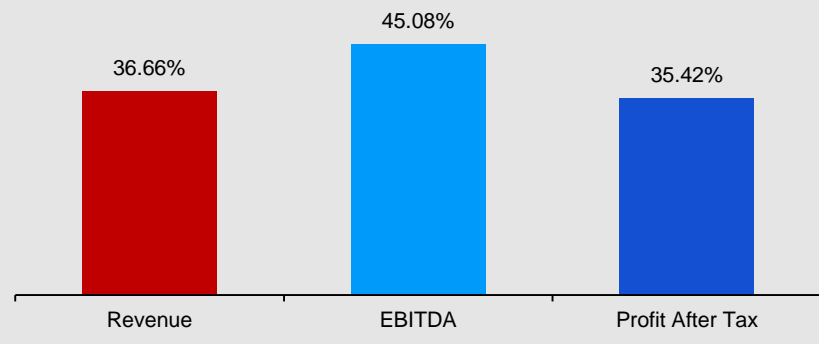
Operating leverage led to improvement in margins



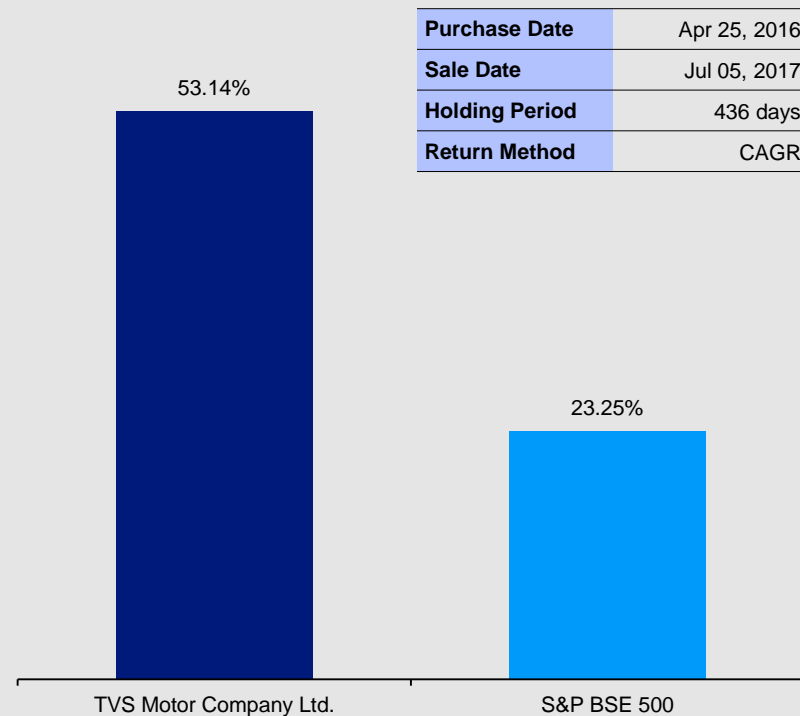
## Operating Leverage (Operating Margin)



## Absolute Growth (FY16 to FY18)



## Stock / Benchmark Performance



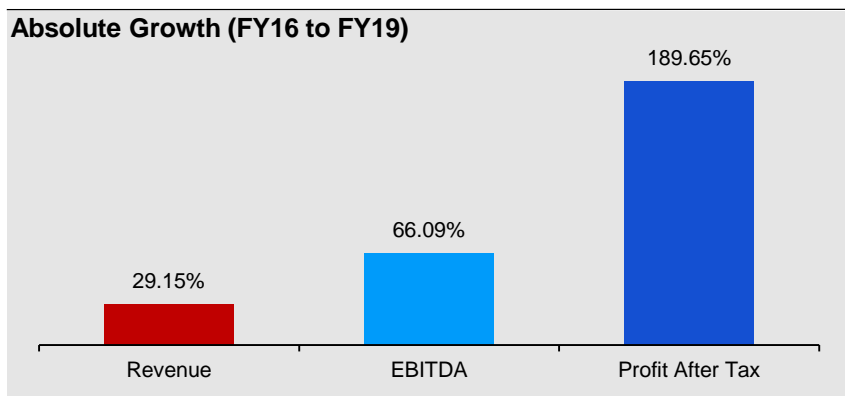
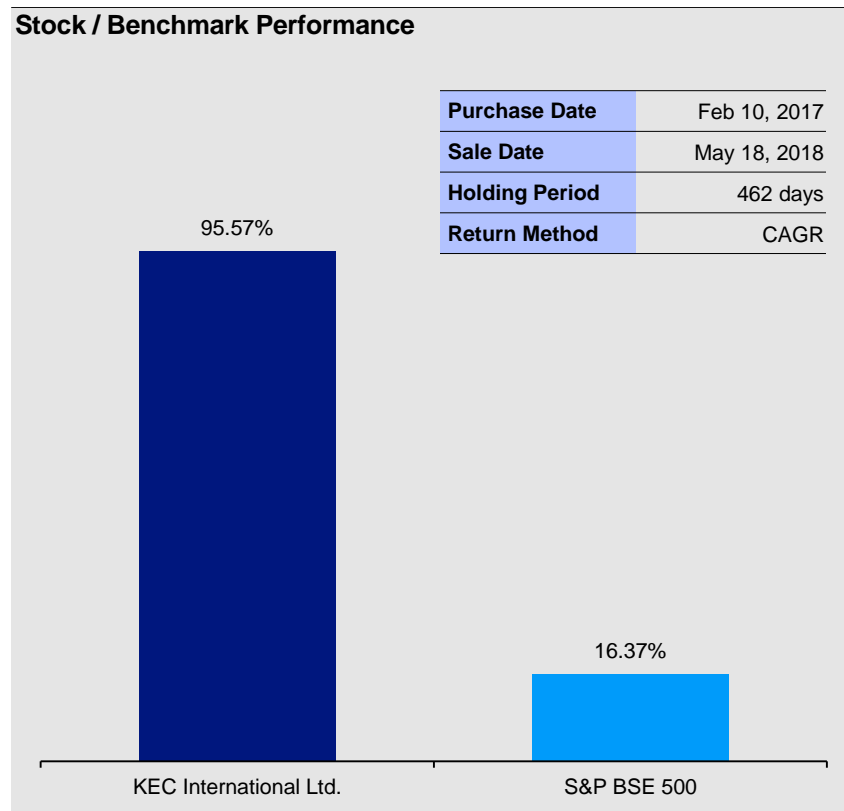
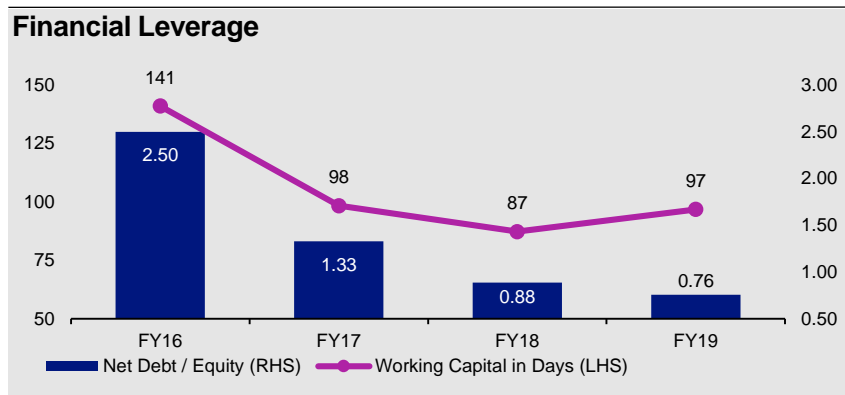
**Past performance may or may not be sustained in future.**

**Note:** Performance has been shown from the period when stock was included in the portfolio. **Data Source:** Company reports, Capitaline & Internal. **EBITDA:** Earnings before interest, taxes, depreciation, and amortization. **CAGR:** Compounded annualize growth rate.

**Disclaimer:** The stock referred above should not be construed as recommendation, advice to buy, sell or in any manner transact in this stock and neither should it be considered as Research Report from IAMI. The Portfolio may or may not have any present or future positions in this stock or in any other portfolios offered by Invesco Asset Management (India) Private Limited. The performance of above stock should not be construed as performance of the portfolio as the portfolio would be constituted of number of stocks having different weights and the individual stock held by the portfolio may or may not give positive returns. **Invesco Asset Management (India) Private Limited is not guaranteeing or promising or forecasting any returns.**

# KEC International Ltd.

Improvement in EBITDA. Reduction in debt on account of improved cash flow from operations



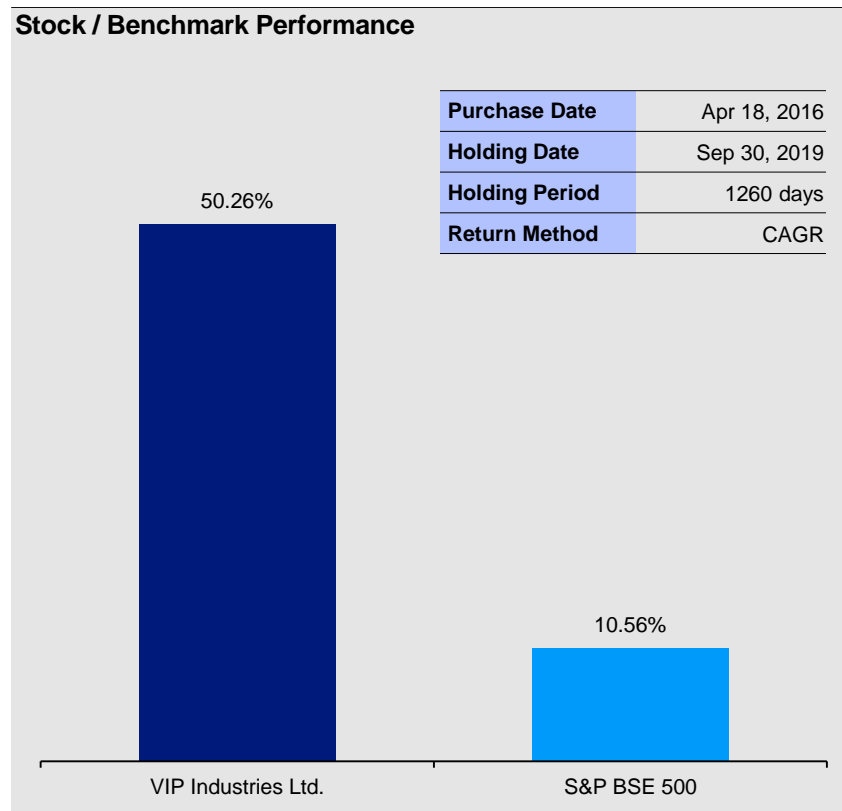
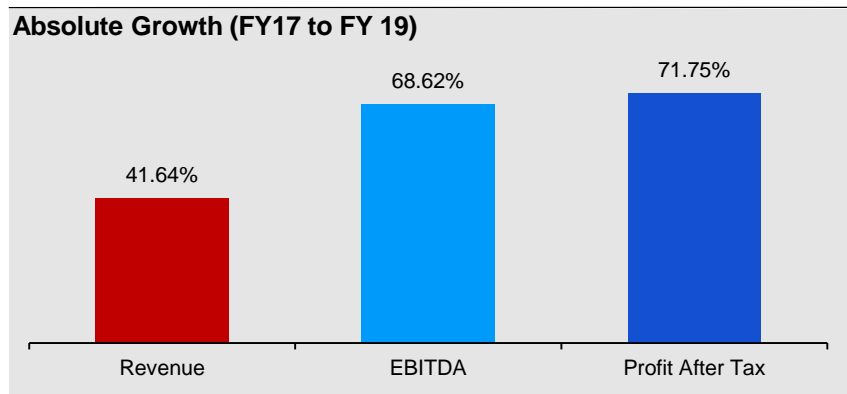
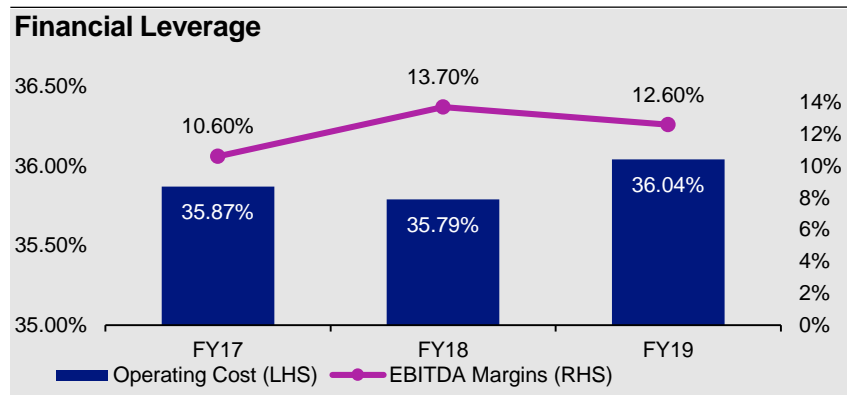
**Past performance may or may not be sustained in future.**

**Note:** Performance has been shown from the period when stock was included in the portfolio. **Data Source:** Company reports, Capitaline & Internal. **EBITDA:** Earnings before interest, taxes, depreciation, and amortization. **CAGR:** Compounded annualized growth rate.

**Disclaimer:** The stock referred above should not be construed as recommendation, advice to buy, sell or in any manner transact in this stock and neither should it be considered as Research Report from IAMI. The Portfolio may or may not have any present or future positions in this stock or in any other portfolios offered by Invesco Asset Management (India) Private Limited. The performance of above stock should not be construed as performance of the portfolio as the portfolio would be constituted of number of stocks having different weights and the individual stock held by the portfolio may or may not give positive returns. **Invesco Asset Management (India) Private Limited is not guaranteeing or promising or forecasting any returns.**

# VIP Industries Ltd.

Operating leverage leading to EBITDA growth significantly higher than topline growth



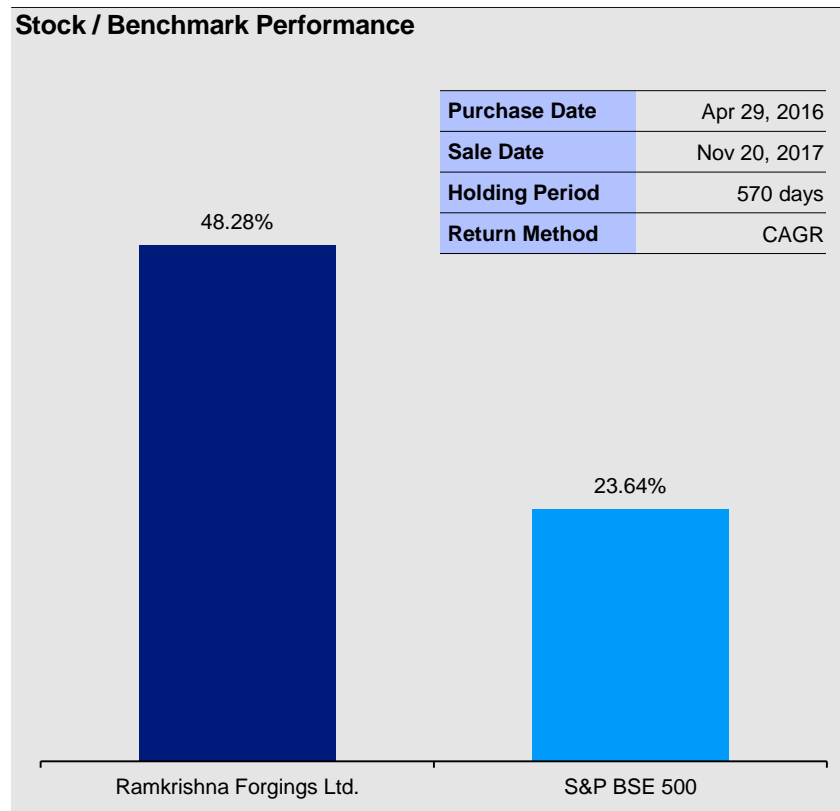
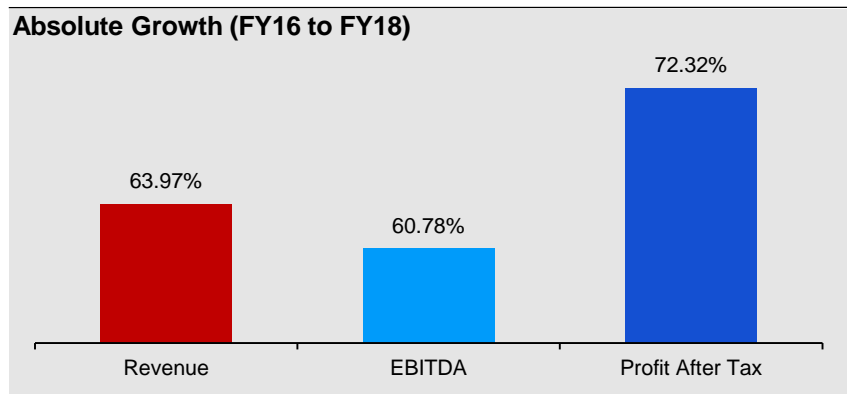
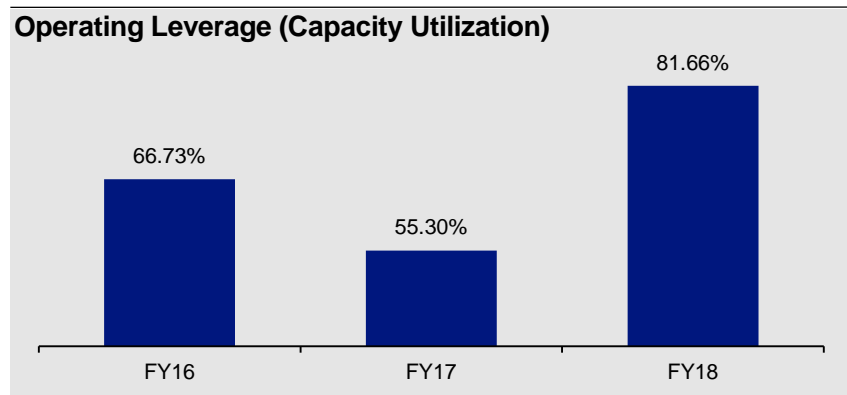
**Past performance may or may not be sustained in future.**

**Note:** Performance has been shown from the period when stock was included in the portfolio. **Data Source:** Company reports, Capitaline & Internal. **EBITDA:** Earnings before interest, taxes, depreciation, and amortization. **CAGR:** Compounded annualize growth rate.

**Disclaimer:** The stock referred above should not be construed as recommendation, advice to buy, sell or in any manner transact in this stock and neither should it be considered as Research Report from IAMI. The Portfolio may or may not have any present or future positions in this stock or in any other portfolios offered by Invesco Asset Management (India) Private Limited. The performance of above stock should not be construed as performance of the portfolio as the portfolio would be constituted of number of stocks having different weights and the individual stock held by the portfolio may or may not give positive returns. **Invesco Asset Management (India) Private Limited is not guaranteeing or promising or forecasting any returns.**

# Ramkrishna Forgings Ltd.

Higher capacity utilization leading to operating and financial leverage

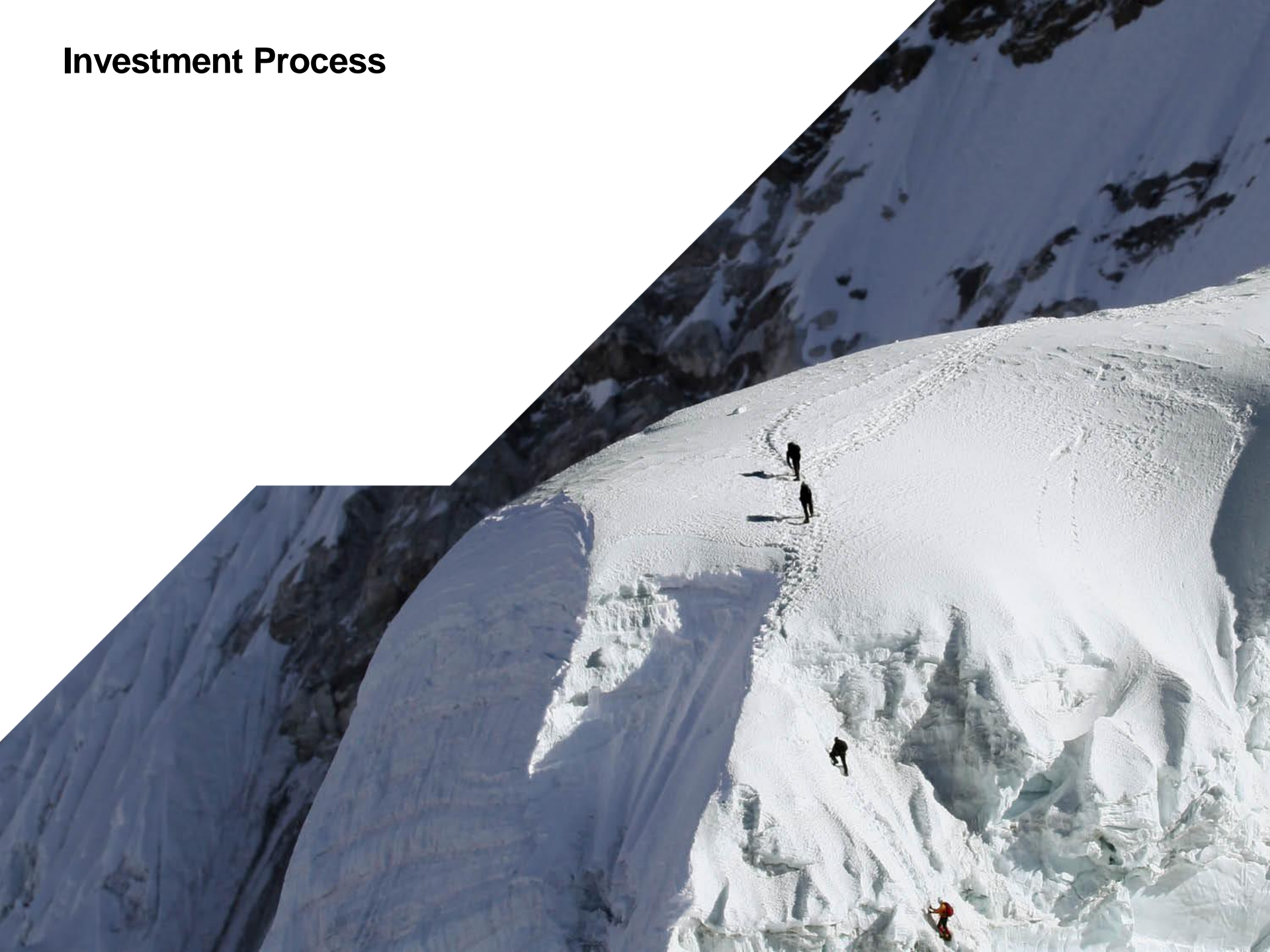


**Past performance may or may not be sustained in future.**

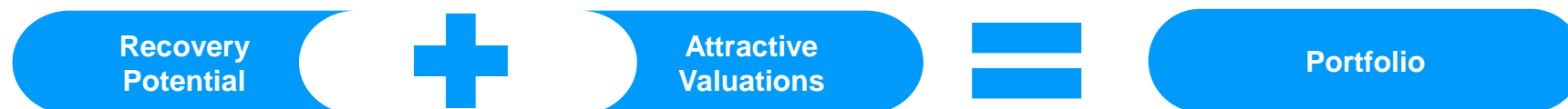
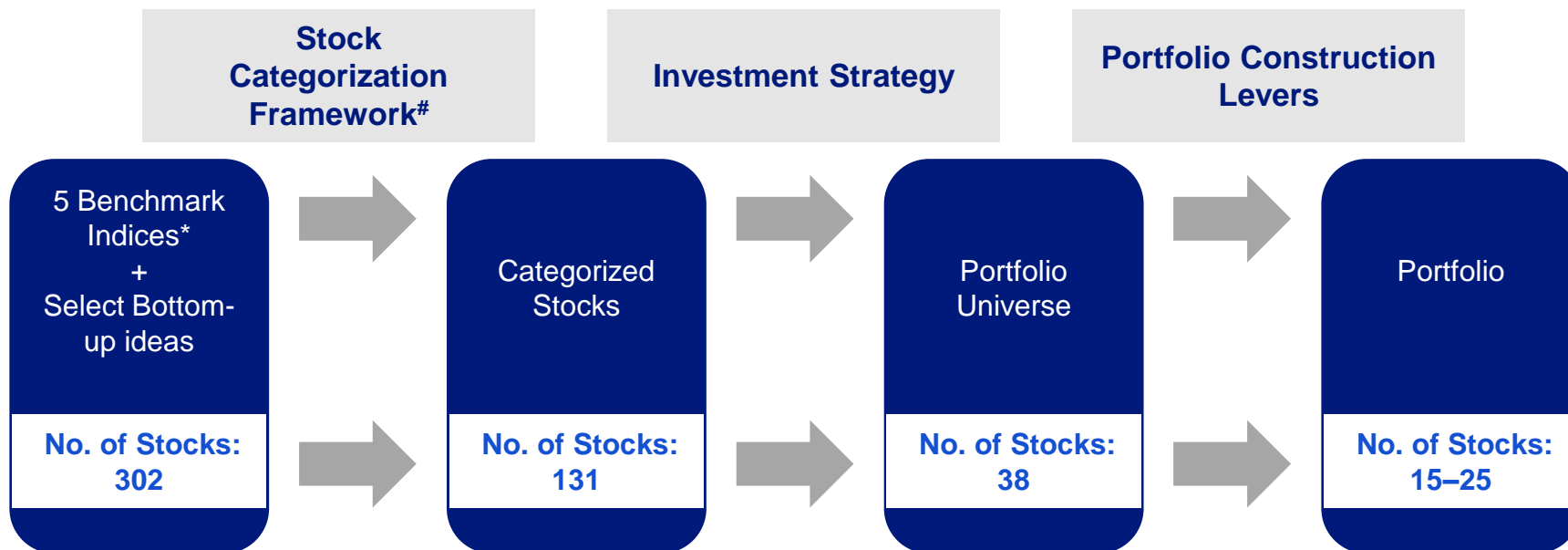
**Note:** Performance has been shown from the period when stock was included in the portfolio. **Data Source:** Company reports, Capitaline & Internal. **EBITDA:** Earnings before interest, taxes, depreciation, and amortization. **CAGR:** Compounded annualize growth rate.

**Disclaimer:** The stock referred above should not be construed as recommendation, advice to buy, sell or in any manner transact in this stock and neither should it be considered as Research Report from IAMI. The Portfolio may or may not have any present or future positions in this stock or in any other portfolios offered by Invesco Asset Management (India) Private Limited. The performance of above stock should not be construed as performance of the portfolio as the portfolio would be constituted of number of stocks having different weights and the individual stock held by the portfolio may or may not give positive returns. **Invesco Asset Management (India) Private Limited is not guaranteeing or promising or forecasting any returns.**

# Investment Process



# Stock Selection Process



Data As on September 30, 2019

#For details on Stock Categorization Framework please refer next slide.

\*5 Benchmark Indices: S&P BSE 200 Index, Nifty Midcap 100 Index, Nifty Infrastructure Index, Nifty Bank Index and S&P BSE PSU Index



# Stock Categorization Framework

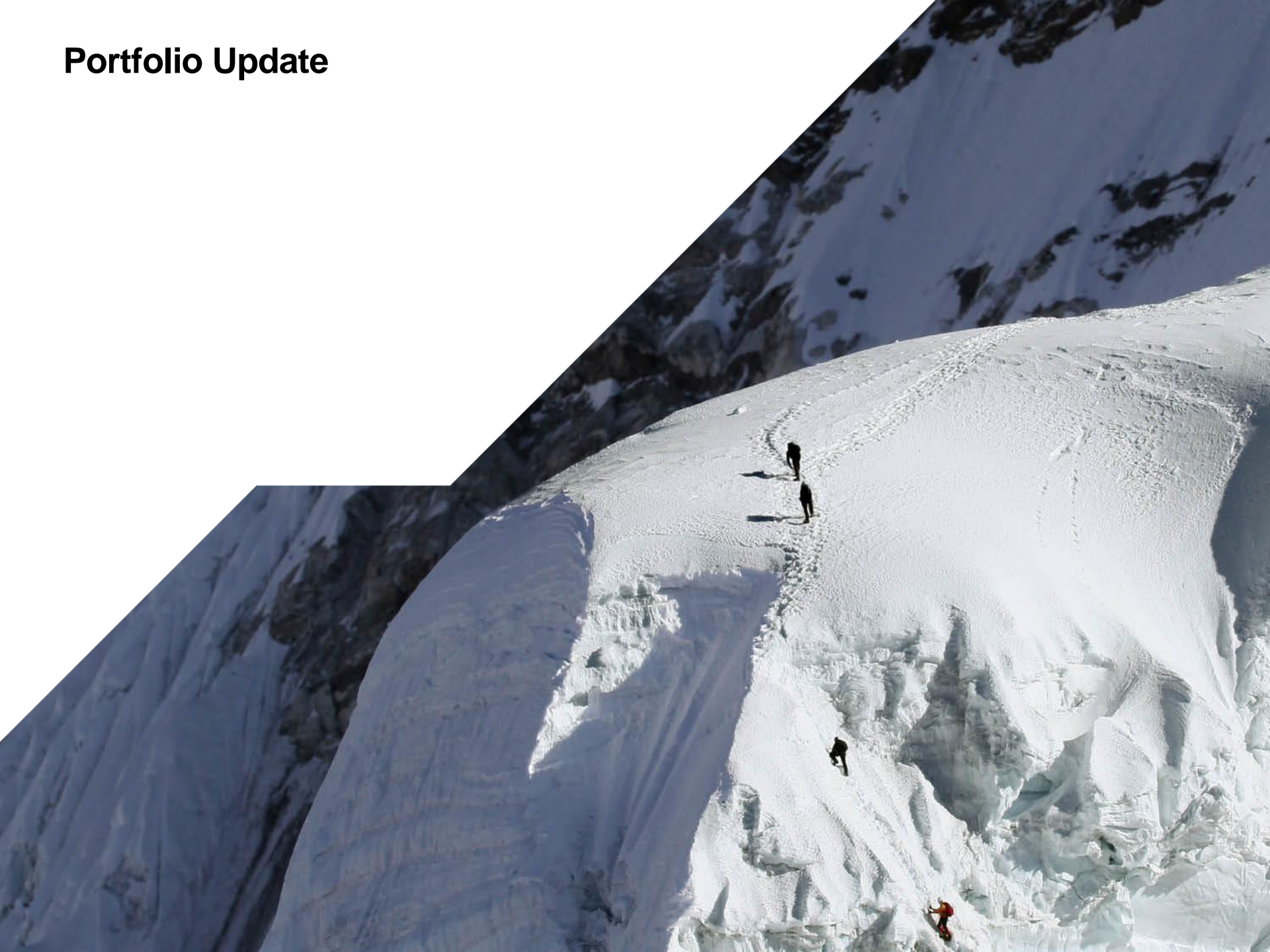


Stock Category	Descriptions (e.g.)	Growth Prospects (e.g.)	Company Attribute (e.g.)	Financial Parameter (e.g.)	
<b>Leader</b>	Established companies	In line or better than industry	Track record of leadership, globally competitive	Industry leading margin / ROE	<b>Growth</b>
<b>Warrior</b>	Young / established companies	Better than industry	Unique proposition and / or right place, right time	Margin & ROE expansion	
<b>Star</b>	Young companies	High growth	Entrepreneur vision, scalability	Operating Leverage	
<b>Diamond</b>	Company with valuable assets	Low growth	Management intent to unlock value	Value of asset / business	<b>Value</b>
<b>Frog Prince</b>	Company in a turnaround situation	Back to growth	Intrinsic strengths in core business	P2P, ROE expansion	
<b>Shotgun</b>	Opportunistic investment	Positive surprise	Corporate event, restructuring, earnings news	Event visibility	<b>Event</b>
<b>Commodities</b>	Call on the cycle is paramount	Positive	Integration, cost efficiency, globally competitive	Profit leverage	

P2P: Path to Profit; ROE: Return on Equity.

Based on internal stock classification and subject to change from time to time

# Portfolio Update



# Portfolio – Theme Split

Model portfolio data as on September 30, 2019



Theme	Descriptions	Holdings	Allocation (in %)
<b>Operating Leverage</b>	Companies which can make more money from each additional sale as demand recovers.	AIA Engineering Ltd., VIP Industries Ltd., Motherson Sumi Systems Ltd., Dixon Technologies India Ltd., Cipla Ltd., Ratnamani Metals & Tubes Ltd., Parag Milk Foods Ltd., Mahindra Logistics Ltd., Music Broadcast Ltd.	39.75
<b>Operating &amp; Financial Leverage</b>	Companies which can make more money from each additional sale as demand recovers & Companies which can generate returns greater than the interest expense associated with the debt they use to fund growth.	Apollo Hospitals Enterprises Ltd., Reliance Industries Ltd., Gujarat State Petronet Ltd., Aditya Birla Fashion & Retail Ltd., APL Apollo Tubes Ltd., Equitas Holdings Ltd., Orient Electric Ltd.	36.37
<b>Value</b>	Companies trading below their intrinsic value.	Shriram Transport Finance Co. Ltd., Mahindra & Mahindra Fin Services Ltd.	8.64
<b>Financial Leverage</b>	Companies which can generate returns greater than the interest expense associated with the debt they use to fund growth.	Torrent Pharmaceuticals Ltd.	6.40

The stock referred above should not be construed as recommendation, advice to buy, sell or in any manner transact in this stock and neither should it be considered as Research Report from IAMI. The Portfolio Manager may or may not hold position in these stocks in future. **Operating Leverage:** Companies currently operating at low capacity utilization and have large portion of costs fixed in nature. These companies can make more money from each additional sale as demand recovers. **Financial Leverage:** Companies which can generate returns greater than the interest expense associated with the debt they use to fund growth. Further, could increase their profit margin from decline in interest rates and reduction in debt due to profit growth. **Value:** Value investing seeks to purchase stocks at an even greater discount to their intrinsic value. **Securities investments are subject to market risks, please read the Disclosure Document carefully before investing.**

# Portfolio Holdings

Model portfolio data as on September 30, 2019



Holdings	% of Net Assets
Apollo Hospitals Enterprises Ltd.	8.09
Reliance Industries Ltd.	7.68
Gujarat State Petronet Ltd.	6.92
Torrent Pharmaceuticals Ltd.	6.40
AIA Engineering Ltd.	6.22
VIP Industries Ltd.	6.16
Motherson Sumi Systems Ltd.	5.21
Dixon Technologies India Ltd.	4.78
Shriram Transport Finance Co. Ltd.	4.34
Mahindra & Mahindra Fin Services Ltd.	4.30
Aditya Birla Fashion & Retail Ltd.	4.30
Cipla Ltd.	4.24
Ratnamani Metals & Tubes Ltd.	4.03
APL Apollo Tubes Ltd.	3.83
Parag Milk Foods Ltd.	3.20
Equitas Holdings Ltd.	3.14
Mahindra Logistics Ltd.	3.09
Music Broadcast Ltd.	2.81
Orient Electric Ltd.	2.41
<b>Total Equity Exposure</b>	<b>91.16</b>

Sector	% of Net Assets
Consumer Discretionary	22.86
HealthCare	18.72
Financials	11.78
Industrials	9.31
Materials	7.87
Energy	7.68
Utilities	6.92
Consumer Staples	3.20
Communication Services	2.81
<b>Cash &amp; Cash Equivalent</b>	<b>8.84</b>

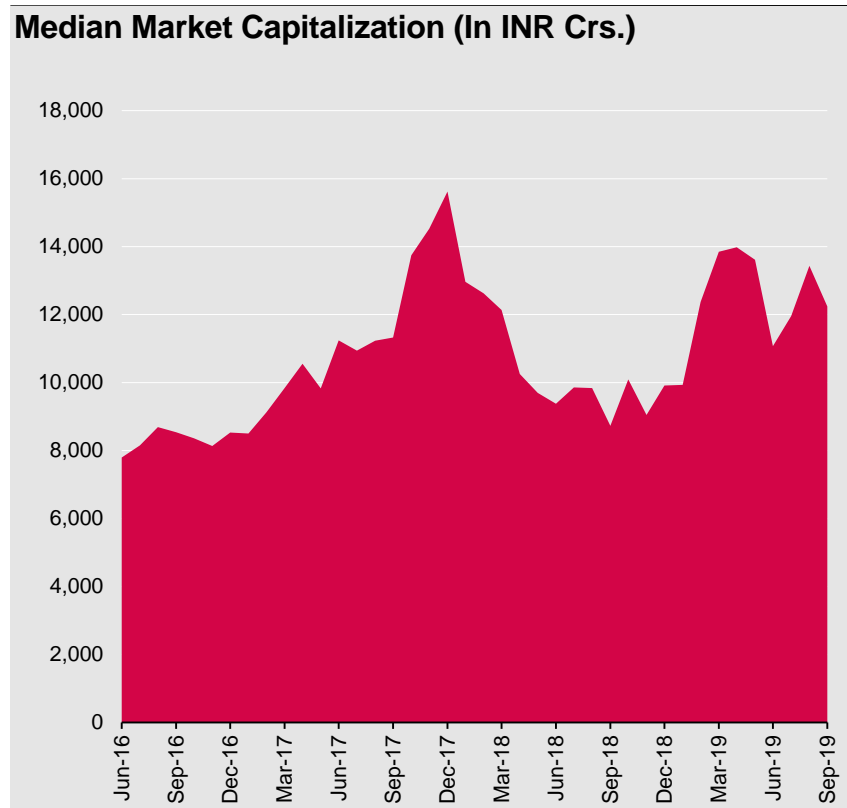
3 Year Performance Attributes*	% of Net Assets
Standard Deviation	5.43%
Beta	1.19
Sharpe Ratio	0.08

\*Based on 3 yrs., monthly data points (Risk-free rate of 5.52% based on Overnight MIBOR)

**Past performance may or may not be sustained in future.** The stock referred above should not be construed as recommendation, advice to buy, sell or in any manner transact in this stock and neither should it be considered as Research Report from IAMI. The Portfolio Manager may or may not hold position in these stocks in future. **Securities investments are subject to market risks, please read the Disclosure Document carefully before investing.**

# Portfolio Allocation

Model portfolio data as on September 30, 2019



### Market Capitalization Break Up (In INR Crs. )

Market cap range (In INR Crs.)	% of Net Asset	No. of Stocks
Up to 5,000	27.29%	8
5,000 to 10,000	6.16%	1
10,000 to 15,000	6.92%	1
15,000 to 20,000	18.61%	3
20,000 to 30,000	15.04%	3
30,000 & above	17.13%	3

Market Cap Break up	% of Net Assets
Large Cap	23.52%
Mid Cap	34.17%
Small Cap	33.46%
Average Weighted Market Cap	₹ 77,157 crs.
Median Market Capitalization	₹ 12,237 crs.

Data Source: Bloomberg / Internal.

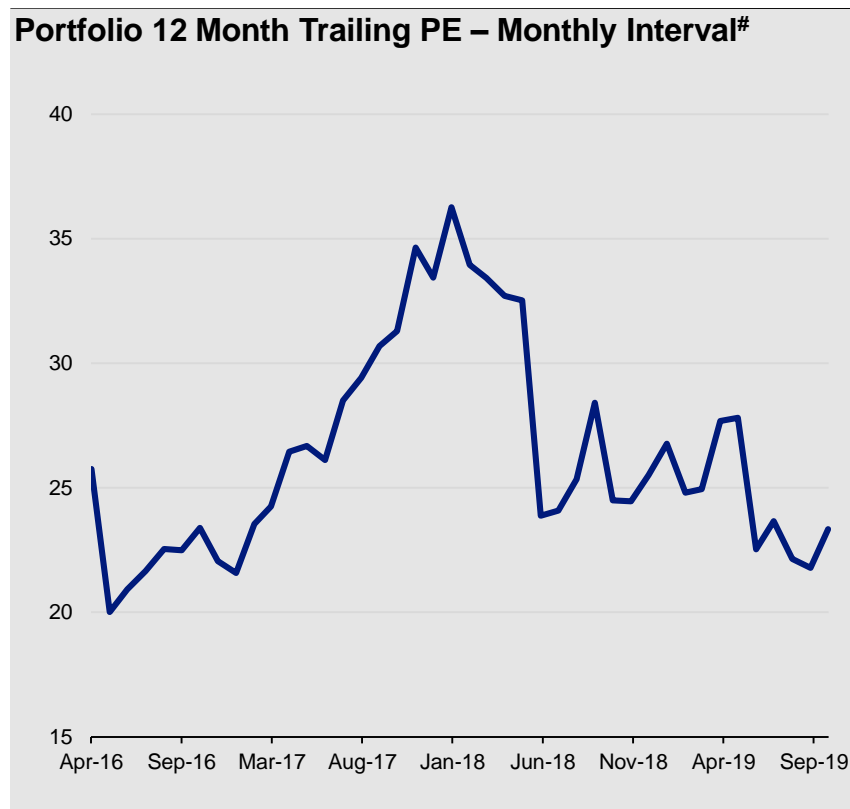
Large Cap:1st 100th company in terms of full market capitalization. Mid Cap:101st to 250th company in terms of full market capitalization. Small Cap:251st company onwards in terms of full market capitalization.

# Portfolio Characteristics

Model portfolio data as on September 30, 2019



## Portfolio 12 Month Trailing PE – Monthly Interval<sup>#</sup>



Characteristic	Portfolio	S&P BSE 500
Dividend Yield <sup>1</sup>	0.46%	0.36%
Price to Earnings <sup>1</sup> FY 19	22.2	21.4
Price to Earnings <sup>1</sup> FY 20 Estimate	19.2	19.3
Price to Earnings <sup>1</sup> FY 21 Estimate	15.7	16.1
2 Year EPS CAGR (FY19-FY21) <sup>2</sup>	17.3%	14.4%
Return on Assets <sup>1</sup> FY 20	5.2%	3.1%
Return on Equity <sup>1</sup> FY 20	14.5%	15.9%

<sup>1</sup> Weighted Harmonic Mean

<sup>2</sup> EPS Growth is derived from P/E ratios

Note: Excludes companies with net loss for appropriate results for various ratios

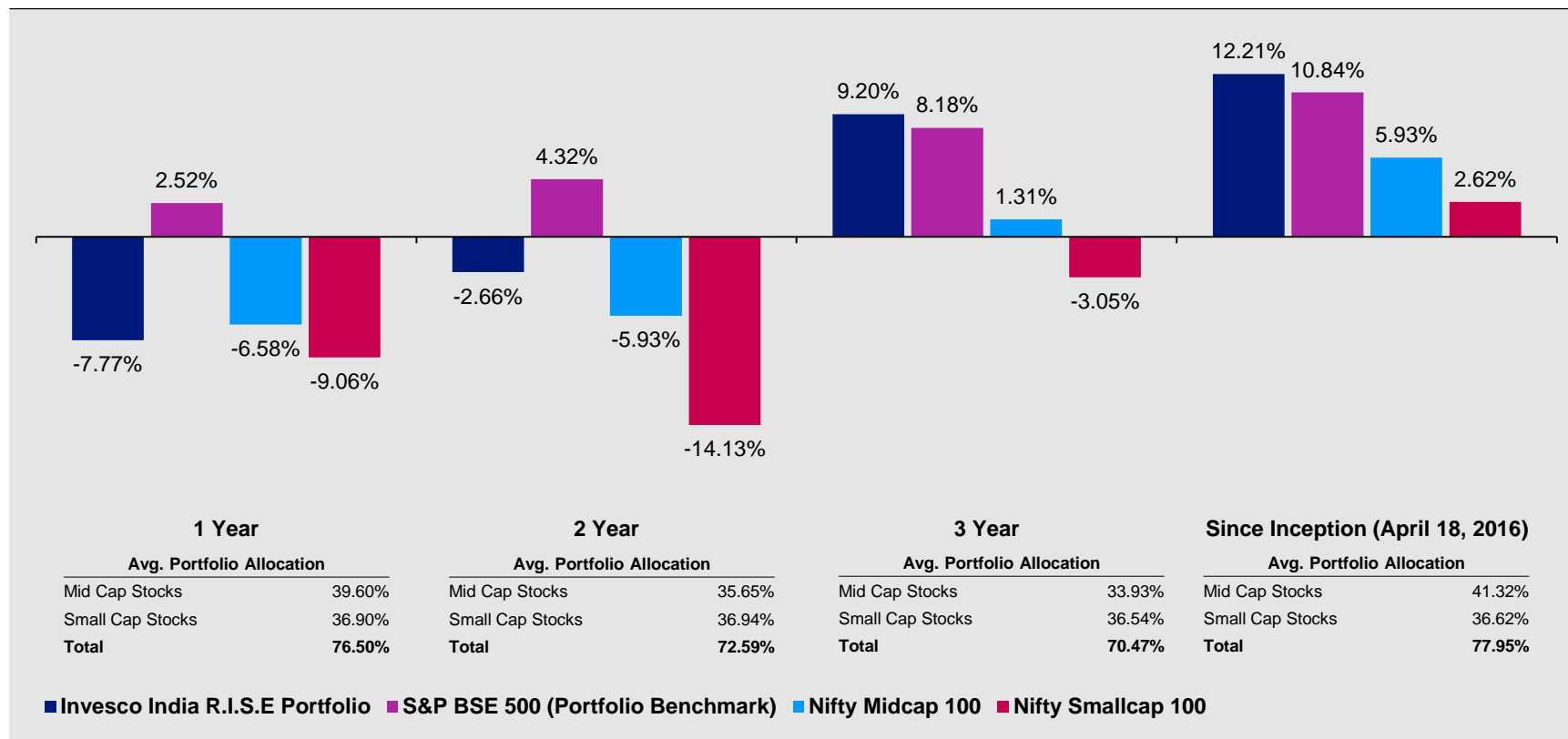
Source: <sup>#</sup>Bloomberg, Factset, Internal. EPS: Earning Per Share. CAGR: Compounded annualize growth rate.

**Disclaimer:** The information provided herein may include statements/data of future expectations that are based on current views and assumptions and involves known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied.



# Portfolio Performance – Long Term

Model portfolio data as on September 30, 2019

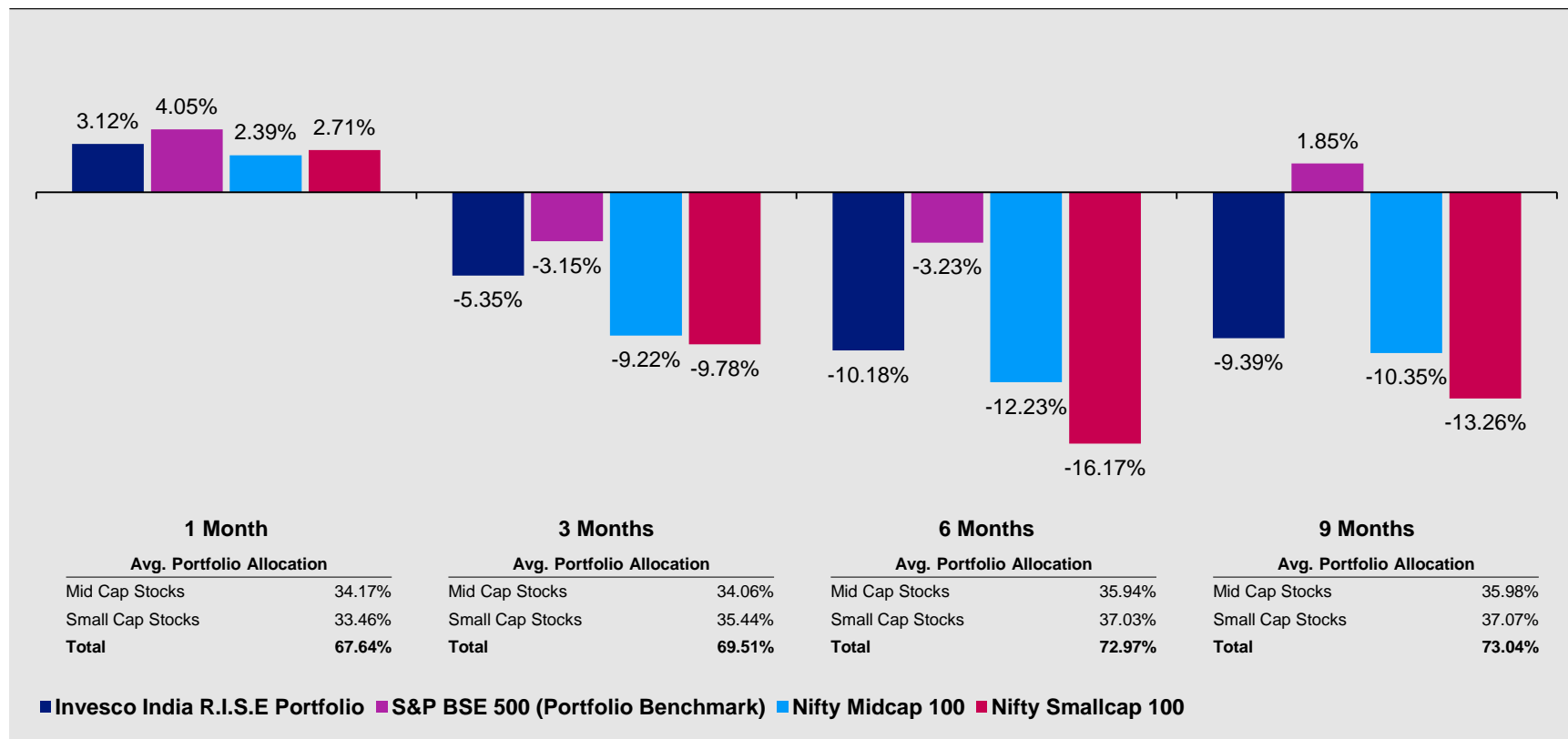


**Past performance may or may not be sustained in future.** Returns up to 1 year are absolute Returns and returns over 1 year are Compounded Annualized Returns. The returns are calculated on the basis of daily market value of the Portfolio.

**Disclaimer:** The returns of model portfolio given above are for illustration purpose only. Model portfolio returns does not take into account expenses/charges and Profit/Loss on account of derivative transactions. Returns under client wise portfolio may vary vis-à-vis returns of model portfolio due to various factors viz. timing of investment/additional investment in client's portfolio, timing of withdrawals in client's portfolio, mandates given by respective client, profit/loss on account of derivative transactions, expenses charged to respective portfolio, dividend income in the respective portfolio etc. Portfolio Allocation based on Month End dates. **Large Cap:** 1st 100th company in terms of full market capitalization. **Mid Cap:** 101st to 250th company in terms of full market capitalization. **Small Cap:** 251st company onwards in terms of full market capitalization. **The Portfolio manager does not offer guaranteed or assured returns. Securities investments are subject to market risks, please read the Disclosure Document carefully before investing.**

# Portfolio Performance – Short Term

Model portfolio data as on September 30, 2019



**Past performance may or may not be sustained in future.** Returns up to 1 year are absolute Returns. The returns are calculated on the basis of daily market value of the Portfolio.

**Disclaimer:** The returns of model portfolio given above are for illustration purpose only. Model portfolio returns does not take into account expenses/charges and Profit/Loss on account of derivative transactions. Returns under client wise portfolio may vary vis-à-vis returns of model portfolio due to various factors viz. timing of investment/additional investment in client's portfolio, timing of withdrawals in client's portfolio, mandates given by respective client, profit/loss on account of derivative transactions, expenses charged to respective portfolio, dividend income in the respective portfolio etc. Portfolio Allocation based on Month End dates. **Large Cap:**1st 100th company in terms of full market capitalization. **Mid Cap:**101st to 250th company in terms of full market capitalization. **Small Cap:**251st company onwards in terms of full market capitalization. **The Portfolio manager does not offer guaranteed or assured returns. Securities investments are subject to market risks, please read the Disclosure Document carefully before investing.**

# Top Holding Rationale



## Brief description & our thesis

- Apollo Hospitals (AHEL) is Asia's largest healthcare group in India with ~10,000 operational beds across 70 hospitals (owned/ subsidiaries/ JVs). Apollo Pharmacy (SAP), its subsidiary, is one of the largest organized pharmacy chain in the India with ~3,500 stores across pan India.
- AHEL added ~30% of bed capacity during last 4 years which impacted the overall profitability during FY16-18. The new hospital cluster is now stabilizing and contributing to EBIDTA. Further improvement in utilization would drive operating leverage deliver faster operating profit growth, thus improving RoCE from about 7% to 15% over medium term.
- At present almost 30% of EBIDTA is used to service financial charge. Since the major capex is behind, free cashflow generation from here on will be used for debt repayment, thus driving financial leverage for a faster profit growth.
- **Apollo Hospitals Enterprises Ltd. trades at 69x P/E and 17x EV/EBITDA based on FY20E numbers for expected EPS CAGR of 44% and EBITDA CAGR of 25% over FY19-21**

## Financial Data

Amount in INR Crs. Except return ratios.  
Data / Estimate as on September 20, 2019

Financial Snapshot	FY19	FY20E	FY21E	CAGR FY19-21E	YoY Growth (FY19 v/s FY18)
Sales	9,617	11,244	13,176	17%	16%
EBITDA	1,064	1,357	1,652	25%	57%
Profit After Tax	236	292	490	44%	69%

Ratios	FY19	FY20E
ROCE	4.1%	5.2%
ROE	8.5%	13.0%
EV/EBITDA	21.9	17.2
P/E	85.9	69.5

## Market Cap / Current Market Price

Market Cap (In INR Crs)	20,270
Current Market Price	1,457

### Past performance may or may not be sustained in future.

**Source:** Company, Bloomberg, Internal Estimates. **CAGR:** Compounded annualized growth rate. **ROE:** Return on Equity. **P/E:** Price to Earnings. **EPS:** Earnings per Share. **ROCE:** Return on Capital Employed. **EV:** Enterprise Value. **EBITDA:** Earnings before interest, tax, depreciation, and amortization.

**Disclaimer:** The stock referred above should not be construed as recommendation, advice to buy, sell or in any manner transact in this stock and neither should it be considered as Research Report from IAMI. IAMI may or may not have any present or future positions in this stock or in any other portfolios offered by IAMI. The performance of above stock should not be construed as performance of IAMI portfolio offerings as each portfolio would be constituted of number of stocks having different weights and the individual stock held by the portfolio may or may not give positive returns. The information provided herein may include statements/data of future expectations that are based on current views and assumptions and involves known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied. **Invesco Asset Management (India) Private Ltd. is not guaranteeing or promising or forecasting any returns.**

## Brief description & our thesis

- Reliance (RIL) has come to an end of its significant capex cycle and is likely to see healthy free cash flows over next 2 – 3 years. Its telecom venture has also seen its subscriber base crossing 300 million and the plans it offers implies average revenue per user at marginal discount to current national average, thus not disruptive on absolute bill amount as feared before. Telecom venture is already in the black at net profit level.
- Lower capex intensity and increase in operating profits would translate into cumulative free cash flows of around Rs. 800-900 bn in next two years (FY20 and FY21).
- The current valuations do not capture the B2C (business to consumer) change in the mix of the business in the revenue and profitability.
- Reliance Industries Ltd. trades at 21x P/E and 13x EV/EBITDA based on FY20E numbers for expected EPS CAGR of 6% and EBITDA CAGR of 8% over FY19-21.**

## Financial Data

Amount in INR Crs. Except return ratios.  
Data / Estimate as on September 20, 2019

Financial Snapshot	FY19	FY20E	FY21E	CAGR FY19-21E	YoY Growth (FY19 v/s FY18)
Sales	567,135	615,103	668,412	9%	22%
EBITDA	83,918	80,216	98,785	8%	3%
Profit After Tax	39,588	34,730	44,181	6%	7%

Ratios	FY19	FY20E
ROCE	8.9%	10.5%
ROE	8.8%	10.2%
EV/EBITDA	12.3	12.8
P/E	18.8	21.4

## Market Cap / Current Market Price

Market Cap (In INR Crs)	743,328
Current Market Price	1,254

### Past performance may or may not be sustained in future.

**Source:** Company, Bloomberg, Internal Estimates. **CAGR:** Compounded annualized growth rate. **ROE:** Return on Equity. **P/E:** Price to Earnings. **EPS:** Earnings per Share. **ROCE:** Return on Capital Employed. **EV:** Enterprise Value. **EBITDA:** Earnings before interest, tax, depreciation, and amortization.

**Disclaimer:** The stock referred above should not be construed as recommendation, advice to buy, sell or in any manner transact in this stock and neither should it be considered as Research Report from IAMI. IAMI may or may not have any present or future positions in this stock or in any other portfolios offered by IAMI. The performance of above stock should not be construed as performance of IAMI portfolio offerings as each portfolio would be constituted of number of stocks having different weights and the individual stock held by the portfolio may or may not give positive returns. The information provided herein may include statements/data of future expectations that are based on current views and assumptions and involves known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied. **Invesco Asset Management (India) Private Ltd. is not guaranteeing or promising or forecasting any returns.**

## Brief description & our thesis

- Gujarat State Petronet (GSPL) has a pipeline network within the state of Gujarat meant for intra-state transportation of gas. Currently its network is underutilized at sub 60%. Despite this, its standalone RoE stands at 15.6% (FY19). Any further improvement to this utilization offers operating leverage to the company.
- Low gas prices and government's focus on reducing pollution by moving away from coal/ oil-based fuel to gas based fuel augurs well.
- With industrial recovery foreseen and gradual shift to gas, company is likely to witness its utilization inching up. Tariff increase in future, driven by revision of formula by the regulator, can help earnings growth of GSPL.
- Its stake in Gujarat Gas at 54% gives it more flexibility rather than Gujarat Gas being just an associate (earlier ownership of 26%). Though it is leveraged buy-out and near-term concern, it is logical forward integration for GSPL.
- Incrementally improved cash flows from core business can be utilized to bring down this acquisition debt offering financial leverage as well to the reported profitability.
- **Gujarat State Petronet Ltd. trades at 17x P/E and 11x EV/EBITDA based on FY20E numbers for expected EPS CAGR of 32% and EBITDA CAGR of 65% over FY19-21**

## Financial Data

Amount in INR Crs. Except return ratios.  
Data / Estimate as on September 20, 2019

Financial Snapshot	FY19	FY20E	FY21E	CAGR FY19-21E	YoY Growth (FY19 v/s FY18)
Sales	1,028	1,332	9,523	204%	31%
EBITDA	888	1,148	2,424	65%	17%
Profit After Tax	528	747	919	32%	43%

Ratios	FY19	FY20E
ROCE	16.9%	23.0%
ROE	15.6%	21.9%
EV/EBITDA	13.8	10.6
P/E	23.5	16.6

## Market Cap / Current Market Price

Market Cap (In INR Crs)	12,388
Current Market Price	220

### Past performance may or may not be sustained in future.

**Source:** Company, Bloomberg, Internal Estimates. **CAGR:** Compounded annualized growth rate. **ROE:** Return on Equity. **P/E:** Price to Earnings. **EPS:** Earnings per Share. **ROCE:** Return on Capital Employed. **EV:** Enterprise Value. **EBITDA:** Earnings before interest, tax, depreciation, and amortization.

**Disclaimer:** The stock referred above should not be construed as recommendation, advice to buy, sell or in any manner transact in this stock and neither should it be considered as Research Report from IAMI. IAMI may or may not have any present or future positions in this stock or in any other portfolios offered by IAMI. The performance of above stock should not be construed as performance of IAMI portfolio offerings as each portfolio would be constituted of number of stocks having different weights and the individual stock held by the portfolio may or may not give positive returns. The information provided herein may include statements/data of future expectations that are based on current views and assumptions and involves known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied. **Invesco Asset Management (India) Private Ltd. is not guaranteeing or promising or forecasting any returns.**



## Brief description & our thesis

- Torrent Pharmaceuticals (TPL) has branded generic franchise in domestic and Brazilian market. For the generic business core capabilities reside on the manufacturing side.
- Branded business which is largely led by domestic and Brazil contributed ~50% of revenue, offering stable cash flow. The same is getting deployed in R&D to boost US business pipeline.
- TPL has good branded domestic franchise led by chronic portfolio – Cardiovascular System (CVS) and Central Nervous System (CNS).
- Post-acquisition of Elder and Unichem's domestic portfolio, TPL has been quick on integration program, medical representative rationalization and division re-jig thus improving the overall productivity leading to operating leverage.
- The Net/ Debt post acquisition has peaked out at 1.2x. Healthy cash flow will enable timely debt repayment, offering scope for financial leverage.
- Credible track record of capital allocation with average Return on capital employed (ROCE) 31% during last 5 years.
- **Torrent Pharmaceuticals Ltd. trades at 33x P/E and 15x EV/EBITDA based on FY20E numbers for expected EPS CAGR of 24% and EBITDA CAGR of 10% over FY19-21.**

## Financial Data

Amount in INR Crs. Except return ratios.  
Data / Estimate as on September 20, 2019

Financial Snapshot	FY19	FY20E	FY21E	CAGR FY19-21E	YoY Growth (FY19 v/s FY18)
Sales	7,462	8,040	8,882	9%	8%
EBITDA	2,001	2,158	2,427	10%	13%
Profit After Tax	726	878	1,124	24%	33%

Ratios	FY19	FY20E
ROCE	16.0%	18.2%
ROE	17.6%	20.3%
EV/EBITDA	16.7	15.4
P/E	40.5	33.5

## Market Cap / Current Market Price

Market Cap (In INR Crs)	29,410
Current Market Price	1,730

### Past performance may or may not be sustained in future.

**Source:** Company, Bloomberg, Internal Estimates. **CAGR:** Compounded annualized growth rate. **ROE:** Return on Equity. **P/E:** Price to Earnings. **EPS:** Earnings per Share. **ROCE:** Return on Capital Employed. **EV:** Enterprise Value. **EBITDA:** Earnings before interest, tax, depreciation, and amortization.

**Disclaimer:** The stock referred above should not be construed as recommendation, advice to buy, sell or in any manner transact in this stock and neither should it be considered as Research Report from IAMI. IAMI may or may not have any present or future positions in this stock or in any other portfolios offered by IAMI. The performance of above stock should not be construed as performance of IAMI portfolio offerings as each portfolio would be constituted of number of stocks having different weights and the individual stock held by the portfolio may or may not give positive returns. The information provided herein may include statements/data of future expectations that are based on current views and assumptions and involves known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied. **Invesco Asset Management (India) Private Ltd. is not guaranteeing or promising or forecasting any returns.**

### Brief description & our thesis

- AIA Engineering (AIAE) specializes in high chromium castings, used as grinding media, in the cement, mining and thermal power generation industries.
- AIAE is expanding grinding media capacity from 3 lakh tonnes to 4.4 lakh tonnes by FY20-21 making it a global leader in high chrome grinding media. AIAE is well poised, considering large market opportunity in the mining sector, its cost advantage due to centralized operations and cheaper manpower and phased expansion.
- AIAE is poised to benefit by a) new client acquisition of ores like Gold, Copper, Platinum and Iron b) further penetration in already present geography and geographical expansion in key mining countries.
- Besides this, the company has also planned capex for setting up a manufacturing plant for mill linings for the mining sector which is also expected to be commissioned in FY20-21. The scale up in capacity provides a visibility to pick up in revenues over the next few years and an improvement in capacity utilizations should offer better profitability.
- AIA Engineering Ltd. trades at 29x P/E and 20x EV/EBITDA based on FY20E numbers for expected EPS CAGR of 8% and EBITDA CAGR of 9% over FY19-21**

### Financial Data

Amount in INR Crs. Except return ratios.  
Data / Estimate as on September 20, 2019

Financial Snapshot	FY19	FY20E	FY21E	CAGR FY19-21E	YoY Growth (FY19 v/s FY18)
Sales	3,069	3,537	4,084	15%	26%
EBITDA	660	722	837	13%	23%
Profit After Tax	511	507	570	6%	15%

Ratios	FY19	FY20E
ROCE	19%	19%
ROE	14%	14%
EV/EBITDA	22.83	20.85
P/E	31.87	32.15

### Market Cap / Current Market Price

Market Cap (In INR Crs)	16,299
Current Market Price	1,728

#### Past performance may or may not be sustained in future.

**Source:** Company, Bloomberg, Internal Estimates. **CAGR:** Compounded annualized growth rate. **ROE:** Return on Equity. **P/E:** Price to Earnings. **EPS:** Earnings per Share. **ROCE:** Return on Capital Employed. **EV:** Enterprise Value. **EBITDA:** Earnings before interest, tax, depreciation, and amortization.

**Disclaimer:** The stock referred above should not be construed as recommendation, advice to buy, sell or in any manner transact in this stock and neither should it be considered as Research Report from IAMI. IAMI may or may not have any present or future positions in this stock or in any other portfolios offered by IAMI. The performance of above stock should not be construed as performance of IAMI portfolio offerings as each portfolio would be constituted of number of stocks having different weights and the individual stock held by the portfolio may or may not give positive returns. The information provided herein may include statements/data of future expectations that are based on current views and assumptions and involves known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied. **Invesco Asset Management (India) Private Ltd. is not guaranteeing or promising or forecasting any returns.**

# Invesco India R.I.S.E Portfolio



<b>Portfolio Name</b>	<b>Invesco India R.I.S.E Portfolio</b> (R.I.S.E: R- Recovery in Demand, I- Idle Capacity-potential for operating leverage, S- Superior Business Model, E-Earnings Recovery)	
<b>Portfolio Objective</b>	To generate capital appreciation by investing in equity and equity related securities.	
<b>Portfolio Description</b>	The portfolio will comprise of companies which will benefit from revival in economic growth and R.I.S.E in consumer discretionary spending. The portfolio will favour companies that will benefit from operating and financial leverage. The portfolio will also include companies where dividend yield is attractive.	
<b>Indicative Asset Allocation Pattern</b>	Under normal circumstances, the asset allocation of the portfolio shall be as follows:	
	<b>Instrument</b>	<b>Indicative Allocations (% of portfolio value)</b>
	Equity & Equity Related Instruments (Including Equity Derivatives) <sup>#</sup>	60% to 100%
	Cash & Cash Equivalent	0% to 40%
	<sup>#</sup> The portfolio may have exposure to derivatives up to 30% of the portfolio value in accordance with guidelines issued by SEBI.	
<b>Benchmark</b>	S&P BSE 500	

# Risk Factors & Mitigates



## Delay in Earnings Recovery

Companies in this portfolio are not immune to pain in the P&L account but their Balance sheets give them staying power

## Valuation De-rating

Valuations are attractive and provide cushioning given that inherent earnings power of these companies is superior to current reported earnings



**Mr. Amit Nigam**

Portfolio Manager – Portfolio Management Services

Amit has over 17 years' experience in the Indian equity market. In his last assignment, Amit was working with Essel Mutual Fund as Head of Equities where he was responsible for the equity management function at the firm. In the past, he has also worked with companies like BNP Paribas Investment Partners, BNP Paribas Mutual Fund, SBI Funds Management & Reliance Industries Ltd. Amit holds a Mechanical Engineering Degree from Indian Institute of Technology Roorkee and a PGDBM from Indian Institute of Management, Indore.

---

## Invesco Limited

- US\$ 1.2 trillion in assets under management around the globe.
- Specialized investment teams managing investments across a wide range of asset classes and investment styles.
- More than 8,000 employees worldwide
- On-the-ground presence in more than 25 countries, serving clients in more than 120 countries

---

## Invesco Asset Management (India) Private Ltd.

- Expertise across equity, fixed income and gold investments with assets under management & advisory mandates of INR 37,536.63 crores.
  - More than 29 investment strategies across fixed income, equity and gold
  - Proprietary stock selection process for Equity & Credit Appraisal process for Debt.
  - Experienced Investment Management Team of 21 members with combined experience of over 270 years.
  - Broad, deep and stable research platform.
  - Defined and robust Risk Management Processes
- 

**Data of Invesco Limited:** Invesco Ltd. Client-related data, investment professional, employee data and AUM are as of June 30, 2019 and include all assets under advisement, distributed and overseen by Invesco. **Data of Invesco Asset Management (India) Private Ltd.:** AUM represents Average AUM for the quarter ending September 2019. Decimals have been rounded off.



**Disclaimer:** This presentation does not solicit any action based on the material contained herein. Invesco Asset Management (India) Private Ltd. (“the Portfolio Manager / the Company”) will not treat recipients as clients by virtue of their receiving this presentation. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation / circumstances and the particular needs of any specific person who may receive this presentation. The Co's/sectors referred in this presentation are only for the purpose of explaining the concept of Portfolio and should not be construed as recommendations from Portfolio Manager. The Portfolio may or may not have any present or future positions in these stock. The Portfolio(s) discussed in the presentation may not be suitable for all the investors. The recipient of this material alone shall be fully responsible / liable for any decision taken on the basis of this material. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. The distribution of this presentation in certain jurisdictions may be restricted or totally prohibited to registration requirements and accordingly, persons who come into possession of this presentation are required to inform themselves about and to observe any such restrictions and/ or legal compliance requirements. Persons who may receive this presentation should consider and independently evaluate whether it is suitable for his / her / their particular circumstances and are requested to seek professional / financial advice. Past performance is not a guide for future performance. Future returns are not guaranteed and a loss of principal may occur. The Company and its affiliates accept no liabilities for any kind of loss arising out of the use of this presentation. With respect to all information found in this presentation the Company has obtained data from sources it considers reliable however, the Company and its directors, officers, agents, or employees and its affiliates make no warranty, express or implied, including the warranties of merchantability and fitness for a particular purpose, or assume any legal liability or responsibility for the accuracy, completeness, or usefulness of any information contained therein and the Company shall not be liable for any indirect, incidental or consequential damages sustained or incurred in connection with the use, operation, or inability to use this presentation and information contained therein. Under no circumstances will the Portfolio Manager be liable for any loss or damage caused by anyone's reliance on information contained in this presentation.

**Risk Factors:** All securities investments are subject to market risks and there can be no assurance that the objectives of the portfolio(s) will be achieved. Each portfolio will be exposed to various risks depending on the investment objective, investment strategy and the asset allocation. The performance of the portfolio may be affected by changes in factors affecting the securities markets such as volume and volatility in the capital markets, interest rates, currency exchange rates, changes in law/policies of the Government, taxation laws, political, economic or other developments, general decline in the Indian markets, which may have an adverse impact on individual securities, a specific sector or all sectors. Further, the investments by the portfolio shall involve investment risks such as trading volumes, settlement risk, liquidity risk, default risk including the possible loss of capital. The portfolio with investment objective to invest in a specific sector / industry would be exposed to risk associated with such sector / industry and its performance will be dependent on performance of such sector / industry. The Portfolio Manager in accordance with the features of respective Portfolio may use derivatives which require an understanding not only of the underlying instrument but of the derivative itself. Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the Portfolio Manager to identify such opportunities. The decisions of Portfolio Manager may not always be profitable. The portfolio, returns and expenses charged including Portfolio Management fees for each Client may differ from that of the other Client. Investors of the Portfolio Management Services are not being offered any guaranteed / assured returns. The Portfolio Manager may invest in shares, debt, units of mutual funds, deposits or other financial instruments of associate/ group Co's. The name of the portfolio(s) does not in any manner indicate either the quality of the product or their future prospects and returns. Investors are advised to read the risk factors given in the Portfolio Management Services Agreement and Disclosure Document before making investments.



# Get in Touch



Corporate Office:

**Invesco Asset Management (India) Private Limited**

2101-A, A Wing, 21st Floor, Marathon Futurex,  
N. M. Joshi Marg, Lower Parel, Mumbai – 400013

T: +91-22-6731000 F: +91-22-23019422

**To invest:**

Call 1800-209-0007 Δ sms 'Invest' to 56677

Invest Online [www.invescomutualfund.com](http://www.invescomutualfund.com)

Follow us on



Thank you

