AMBIT
Acumen at work

Ambit
Asset Management

BEYOND THE NUMBERS: INSIGHTS FROM THE CUSTOMER FRONTLINES

MONTHLY NEWSLETTER • APRIL '24

Dear Patron,

In the last 2 months, we have done extensive channel checks across multiple sectors like financials, auto, plastic pipes, consumer staples, consumer durables, consumer discretionary and building material. Channel checks include speaking with the channel partners like dealers, distributors, suppliers and meeting with competitors. We do this exercise every quarter before the result season to corroborate our thesis on each of our portfolio holdings. Channel checks are done on a pan India basis and not in a specific region; this allows us to understand trends in more granularity.

Key takeaways from channel checks:

- Persisting weakness in the building material segment led by channel sitting on low inventory due to elevated interest rates and developers focusing on project construction; building material demand comes when the building structure is completed and flats are being prepared for giving possession.
- In financials, banks have become very cautious on unsecured lending led by regulatory tightening. Overall credit growth is also seeing some moderation led by tight liquidity and rising RBI vigilance on algorithm based lending.
- In 2Ws, Eicher continues to report double-digit volume growth led by success in new product launches and rising demand due to upcoming Navratri festival in North India. TVS continues to see double digit growth in its EV portfolio led by success in iqube series.
- Fans is seeing strong demand led by low channel inventory and rising acceptance of BLDC post the change in emission norms. Consumer durables demand continues to remain sluggish with washing machine and refrigerator reporting flat to negative volume growth; ACs also saw flattish volume growth in Jan/Feb, March however saw 10% volume growth led by delayed summer.
- Stable taxation post covid had led to robust cigarette volume CAGR of 6% over 3 years, however, on a high base, the volume has declined by ~2% in Q3FY24.
- Luggage and apparel demand has moderated due to seasonally weak quarter due to lower marriages.

KEY FINDINGS FROM CHANNEL/INDUSTRY INTERACTIONS:

<table>
<tr><th>Sector</th><th>Portfolio company</th><th>Key Findings/ Takeaways</th></tr>
<tr><td>Automotive</td><td>Eicher Motors/ TVS Motors/ Bajaj Auto</td><td>
1. Pan-India RE dealers:
• Double-digit sales growth seen in Q4FY24TD led by low channel inventory and Navratri festival in April. Healthy growth is despite no discounts being offered on any models.
• The new launches (Himalayan450 and Shotgun650) are attracting strong booking and enquiries. Waiting period for Himalayan450 is ~90 days.
• Strong brand pull of RE and limited distribution network of the new entrants (Triumph & Harley Davidson) – reasons for their limited success.

2. Ajmer Based TVS dealer:
• Iqube (EV model) sales have been rising QoQ in the region as it has the looks and brand acceptance; Other EV brands such as Ampere, Greaves, & Ather are struggling as customers have questions over the quality of the product. Even Hero MotoCorp's EV (Vida) sales are negligible.
• Next FY – the company has many new EV launches such as new iqube variant with 5-5.5kw battery; another new product with a 2kw battery for those looking at travelling 20-25km (pricing will be cheaper) – as per the dealer they should do well given TVS's strong brand equity
• >125cc motorcycles are seeing sustained demand while Jupiter is driving the sales in scooters.

3. West and North based Bajaj dealer:
• In the west, low crop sowing has affected company's sales for Feb and March by ~10%.
• Discounts being offered basis the model being chosen; Lower cc products have high discounts while higher cc have lower discounts.
• Triumph models have seen limited bookings and sales (5-6 models being sold pm), however, the sales and enquiry is higher for premium Bajaj models like Pulsar 125cc and 160cc models.
</td></tr>
</table>

<table>
<tr>
<td>Consumer Staples</td>
<td>Nestle India / ITC Ltd.</td>
<td>
1. North based FMCG distributor:

Baby foods category is seeing increased competitive intensity from Abbott and Danone. Gerber, its premium offering, has seen limited demand.
Double-digit growth seen in Munch and Kit Kat brands – seeing improved production supplies. However, greater focus required for Milkybar and Barone brands.
Consumers not clear with the product proposition of millet based offerings. Customers will have to be educated about benefits of millets given its premium pricing vs oats products.

2. North based Cigarette distributor:

Stable taxation post covid had led to robust volume growth of 6% CAGR over 3 years, however, on a high base, the volume has declined by ~2% in Q3FY24. Company is focusing on gaining higher share led by new introductions and improved product availability.
Gold Flake brand is facing pressure from increased competition from Marlboro, emerging as a strong brand in the market. ITC launched Classic Icon brand in Regular size filter tip (RSFT) to counter pressure.

</td>
</tr>
<tr>
<td>Consumer Durables</td>
<td>Blue Star / Havells/ Orient Electric</td>
<td>
1. Maharashtra & UP based consumer durable dealers:

RAC - Demand in Jan-Feb 2024 was muted (+2% YoY) but picked up in March (~10% YoY growth till-date). With the anticipation of a healthy summer season and favourable base, the distributor expects 20-25% YoY growth in summer months.
Refrigerator – In Jan-Feb 2024, DC Ref de-grew by 2-3% YoY while FF Ref grew by 10-15% YoY. Demand picked up in March, with DC Ref reporting 1-2% YoY growth and FF Ref witnessing 15-20% YoY growth. For the overall summer season, the distributor expects 8-9% YoY growth in Ref with FF outperforming with 10-12% YoY growth while DC lagging behind with only 1-2% YoY growth.
Washing Machine - WM was the worst impacted category in Jan-March 2024 sales, with the semi-automatic variant de-growing by ~10% YoY in volume and ~12% YoY in value. Top Load fully automatic sales also declined by 10-15% YoY. However, on a lower base, Front Load WM sales grew ~25% YoY. Brands performing well are LG (Front Loads), Samsung (Top Loads) and Whirlpool & LG (semi-automatic).
Daikin is getting more aggressive in Commercial Refrigeration products and competing with Blue Star in terms of pricing as well as distribution reach.

</td>
</tr>
</table>

		2. Rajasthan, Karnataka Fan based dealers: • Similar to Room AC, fans demand is expected to grow at 25-30% after 2 consecutive years of subdued demand led by change in energy efficiency and BIS norms • Currently share of BLDC fans is at 15% and there is an increasing acceptance of BLDC fans among consumers leading to BLDC fans growing by 40-50% • Orient Electric: The company has been doing well in recent months. The company's strategy of direct distribution model is working well leading to company gaining market share. **3. Rajasthan, Karnataka small appliance based dealers:** • Key categories like mixers, grinders & cookers are facing high competition from unorganized players and growth continues to be muted on account of soft demand and wallet share shift to other segments. • Online & Alternate channels (Modern retail etc.) are taking away the market share from the traditional distribution channel.
Consumer Discretionary	**La Opala / Safari Industries/ Trent Ltd.**	**1. North based opal-ware distributor:** • Aggressive pricing by Borosil in opalware led to higher growth in the segment vis-à-vis La Opala, who is the market leader. • Cello distributors are currently navigating challenges as the company prioritizes inventory management, which has led to some instances of price undercutting for products. • Demand remained muted post-festive season with elevated inventory levels at distributor point. **2. UP based luggage Industry distributor:** • Brand dilution happening for VIP/Skybags - owing to higher competition and aggressive pricing online; hence, Safari has to launch SKUs at lower pricing. • Safari product placement and inventory replenishment materially better than VIP. • Safari is strongest in e-commerce along with Mokobara, Nasher Miles and uppercase. • Demand post Diwali has been muted, however Safari continues to gain market share owing to catering to mass segment, higher online presence and product placement.

		3. UP & Maharashtra based apparel dealers: • Fast fashion and value retail continues to show strong growth however with lower wedding days, and weak consumer sentiments, Jan/Feb demand has not met expectation and falls short of sales targets. • However, companies are seeing green shoots in terms of positive SSSG growth and expect a strong demand from Q1 onwards with rural demand bottoming out.
Financials	**CIFC/ HFFC / ICICI Bank / HDFC Bank**	**1. North based direct sales agents/channel partners:** • Credit demand moderation due to challenges around funding credit growth. • Key risks flagged were - liquidity concerns, risk weighted assets rate revision on unsecured loans, tighter RBI vigil on algorithm based lending, co-branded credit cards, and delay in rate cuts. • As per the DSA - loan growth in Q4FY24 is expected to be lower than the historically average run-rate by 10% as borrowers anticipate rate cuts. • Lenders have turned cautious towards unsecured segment by ways of tightening approval process, and limits towards personal loan; personal loan in salaried sub-segment is seeing rise in rejection rates. • Credit cards segment is seeing aggression from lenders led by their investments in the last 2 years to build digital infra. • ICICI Bank - scaled down the DSA channel towards HL & is focusing on processing applications through own branches, resulting in 15-20% decline in DSA driven business, main objective is to drive better profitability. • HDFC Bank – For the credit card product, HDFC Bank is the prime partner for the DSA. Despite being cautious in the unsecured business, it continues to contribute 15-20% of credit card disbursements. **2. North based direct sales agents/channel partners:** • Signs of moderation in growth seen in unsecured lending segments (largely in personal loans). • Moderation of growth due to combination of factors: a) slowdown in unsecured segment; b) tighter compliance, c) need to reduce dependence on bank borrowings given interest rate environment • CIFC – Aggression across segments, underwriting at the forefront. As per DSA checks in North region, CIFC has grown its team size by 2x, with a separate team focussing on business through DSAs. • HFFC – Competition is strong in the affordable housing space. While yields in prime HL has increased by 2%, affordable HL have seen only a 0.75-1% yield increase given higher competition. Strong demand seen in UP market – monthly disbursement rate is 30-40Cr.

Building Materials	**Supreme Industries / Astral/ Kajaria / Cera Sanitaryware**	**1. Western region plastic pipe distributor:** • Channel incentives have gone up in plastic PVC pipes led by price reduction in PVC resin by ~10% over the last 6 months; Supreme has increased dealer margin by ~200-250 bps across all regions to push volumes. • Supreme has garnered market share from both regional and national players owing to higher incentives structure, which most companies have not responded to yet; and Astral has garnered market share owing to stability in CPVC prices and re-stocking in the entire value chain. • In addition to the same, volume growth for plastic pipes continues to be robust in Q4 led by strong demand for plumbing pipes and strong demand from Jal se Nal scheme. **2. Tiles distributors across regions:** • Increase in competitive intensity due to red sea crisis has resulted in exports run rate coming down from Rs17bn to Rs13bn on a monthly basis. • Weak demand scenario has resulted in benign volume growth (flattish to low-single digits) across markets for the industry. • Kajaria continues to garner incremental market share, however current macro-environment seems muted for next 2 quarters. **3. Bath ware distributors across regions:** • Sanitaryware industry growth has been weak (flattish to low-single digits). • Faucetware industry growth which has been growing at 8-10% has come off in the past 2 quarters to 4-5%. • Overall, industry tailwinds are in place for the segment to bounce back in next few quarters led by completion of several projects launched 3 years back and expectation of rate cut which can trigger restocking of channel inventory.

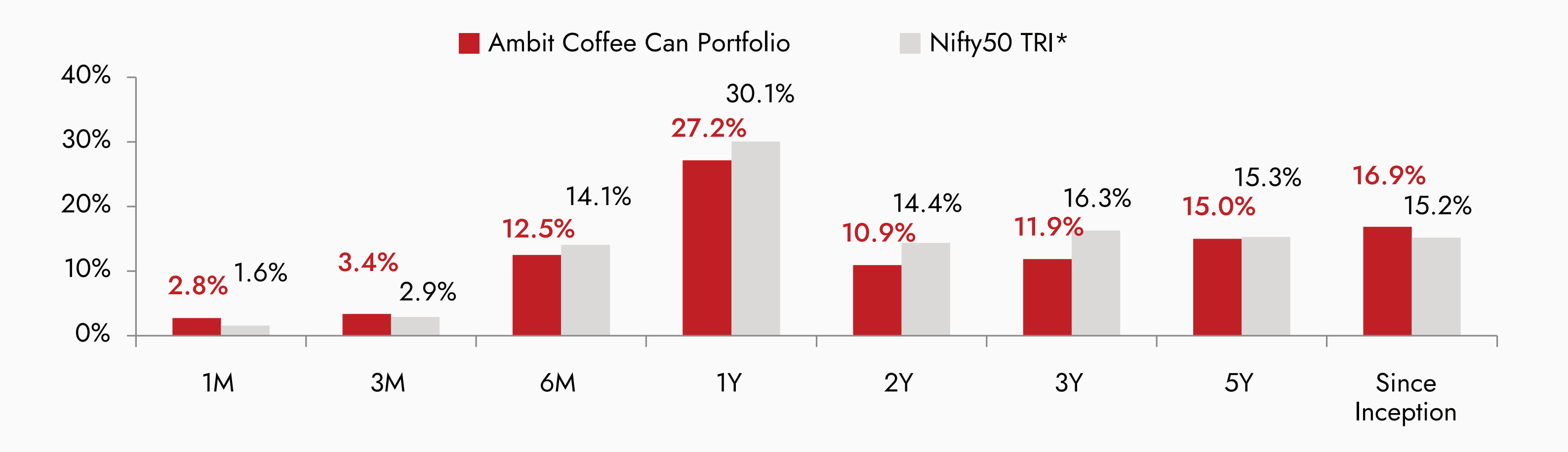
CONCLUSION

We expect 4Q to be a muted quarter for our portfolio companies given the persisting weakness in building material/apparel/luggage/consumer staples and lower credit growth in financials. However, we remain optimistic about FY25. The cut in interest rates could act as a big catalyst for demand revival across sectors given the ~250bps increase in interest rates over the last 2 years has led to higher working capital requirements. Aggressive price cuts by several companies could trigger deflationary trends in key raw materials, which, in turn, can boost rural demand, especially in consumer discretionary segments. Lastly, we await the Union budget announcements, which are likely to focus on private capex and fiscal prudence. Completion of several under-construction projects should revive building materials demand.

AMBIT COFFEE CAN PORTFOLIO

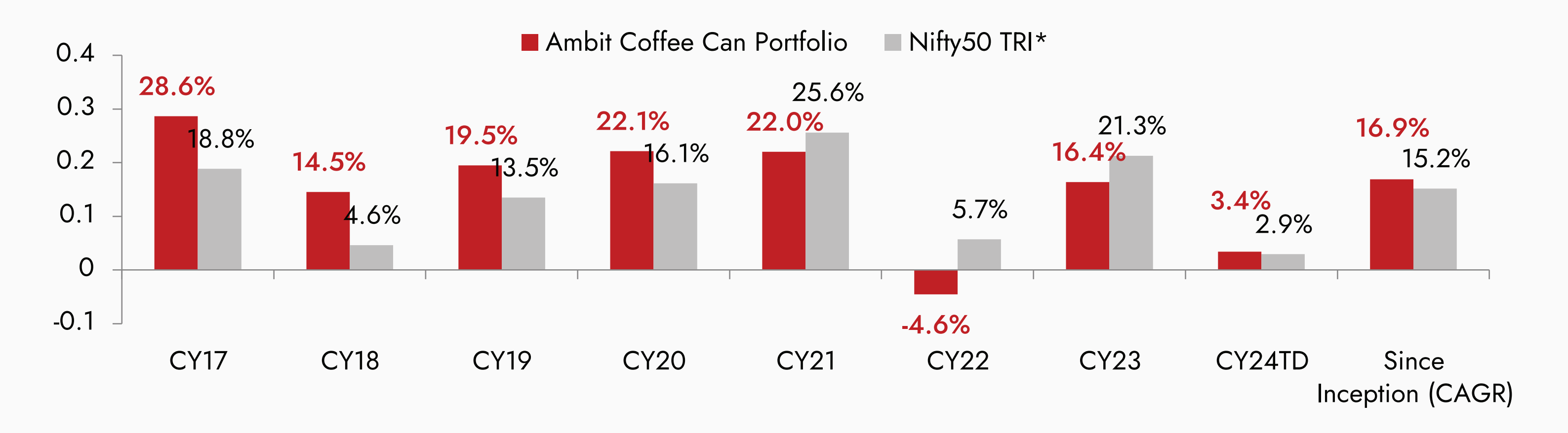
At Coffee Can Portfolio, we do not attempt to time commodity/investment cycles or political outcomes and prefer resilient franchises in the retail and consumption-oriented sectors. The Coffee Can philosophy has an unwavering commitment to companies that have consistently sustained their competitive advantages in core businesses despite being faced with disruptions at regular intervals. As the industry evolves or is faced with disruptions, these competitive advantages enable such companies to grow their market shares and deliver long-term earnings growth.

Exhibit 1: Ambit Coffee Can Portfolio point-to-point performance



Source: Ambit; Portfolio inception date is March 6, 2017; Returns as of March 31st 2024; All returns are post fees and expenses; Returns above 1 year are annualized; Note: Returns prior to Apr'19 are returns of all the Pool accounts excluding non-aligned portfolio, and returns post Apr'19 is based on TWRR returns of all the pool accounts.
*Nifty 50 TRI is the selected benchmark for the Ambit Coffee Can Portfolio and the same is reported to SEBI.

Exhibit 2: Ambit's Coffee Can Portfolio calendar year performance



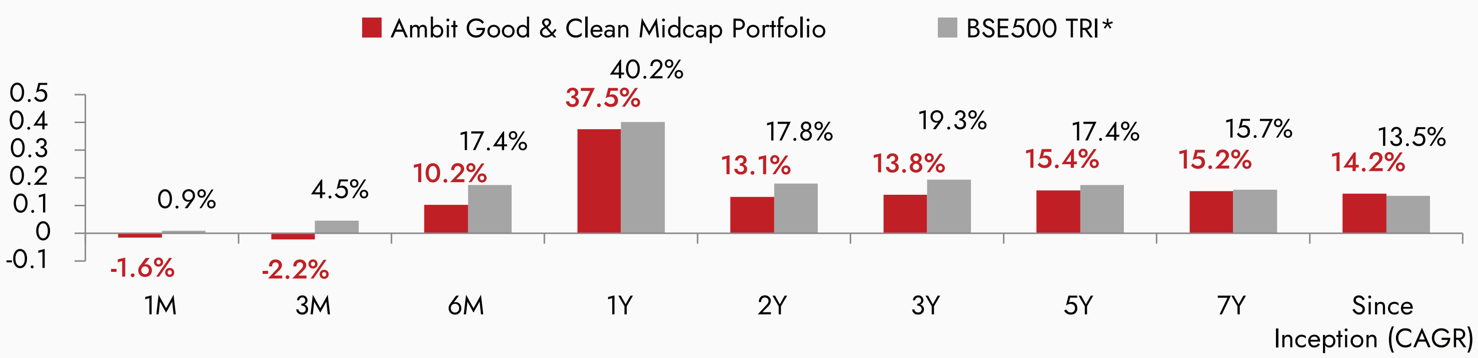
Source: Ambit; Portfolio inception date is March 6, 2017; Returns as of March 31st 2024; All returns are post fees and expenses. Note: Returns prior to Apr'19 are returns of all the Pool accounts excluding non-aligned portfolio, and returns post Apr'19 is based on TWRR returns of all the pool accounts.
*Nifty 50 TRI is the selected benchmark for the Ambit Coffee Can Portfolio and the same is reported to SEBI.

AMBIT GOOD & CLEAN MIDCAP PORTFOLIO

Ambit's Good & Clean strategy provides long-only equity exposure to Indian businesses that have an impeccable track record of clean accounting, good governance, and efficient capital allocation. Ambit's proprietary 'forensic accounting' framework helps weed out firms with poor quality accounts, while our proprietary 'greatness' framework helps identify efficient capital allocators with a holistic approach for consistent growth. Our focus has been to deliver superior risk-adjusted returns with as much focus on lower portfolio drawdown as on return generation. Some salient features of the Good & Clean strategy are as follows:

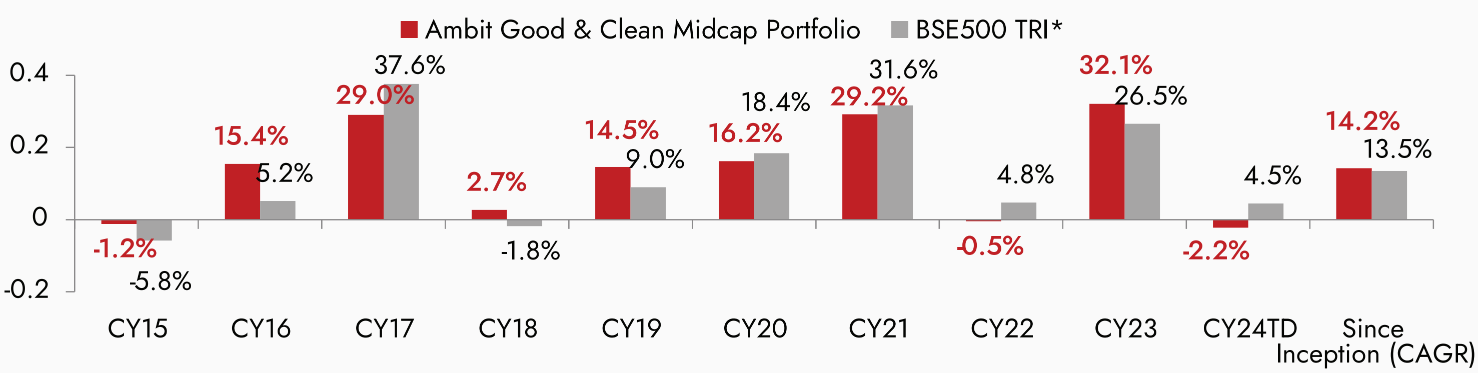
- Process-oriented approach to investing: Typically starting at the largest 500 Indian companies, Ambit's proprietary frameworks for assessing accounting quality and efficacy of capital allocation help narrow down the investible universe to a much smaller subset. This shorter universe is then evaluated on bottom-up fundamentals to create a concentrated portfolio of no more than 20 companies at any time.
- Long-term horizon and low churn: Our holding horizons for investee companies are 3-5 years and even longer with annual churn not exceeding 15-20% in a year. The long-term orientation essentially means investing in companies that have the potential to sustainably compound earnings, with these compounding earnings acting as the primary driver of investment returns over long periods.
- Low drawdowns: The focus on clean accounting and governance, prudent capital allocation, and structural earnings compounding allow participation in long-term return generation while also ensuring low drawdowns in periods of equity market declines.

Exhibit 3: Ambit's Good & Clean Midcap Portfolio point-to-point performance



Source: Ambit; Portfolio inception date is March 12, 2015; Returns as of March 31st 2024; All returns above 1 year are annualized. Returns are net of all fees and expenses.
*BSE 500 TRI is the selected benchmark for the Ambit Good & Clean Midcap Portfolio and the same is reported to SEBI.

Exhibit 4: Ambit's Good & Clean Midcap Portfolio calendar year performance

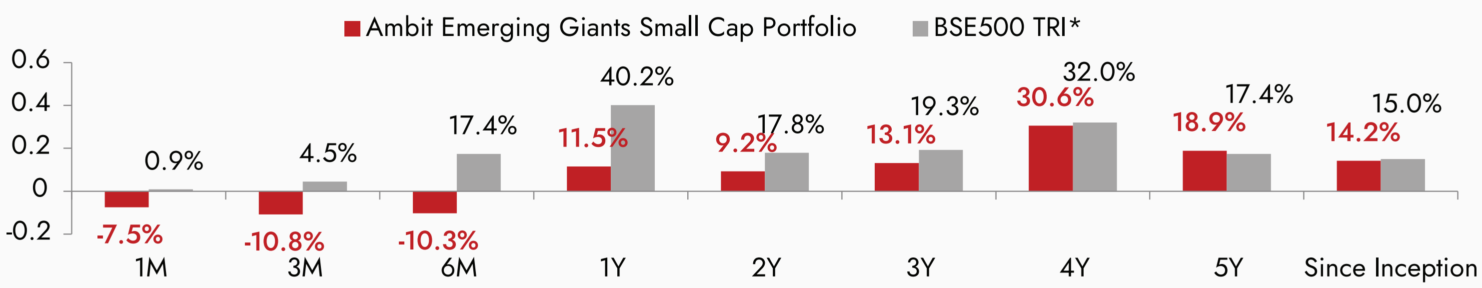


Source: Ambit; Portfolio inception date is March 12, 2015; Returns as of March 31st 2024. Returns are net of all fees and expenses.
*BSE 500 TRI is the selected benchmark for the Ambit Good & Clean Midcap Portfolio and the same is reported to SEBI.

AMBIT EMERGING GIANTS SMALL CAP PORTFOLIO

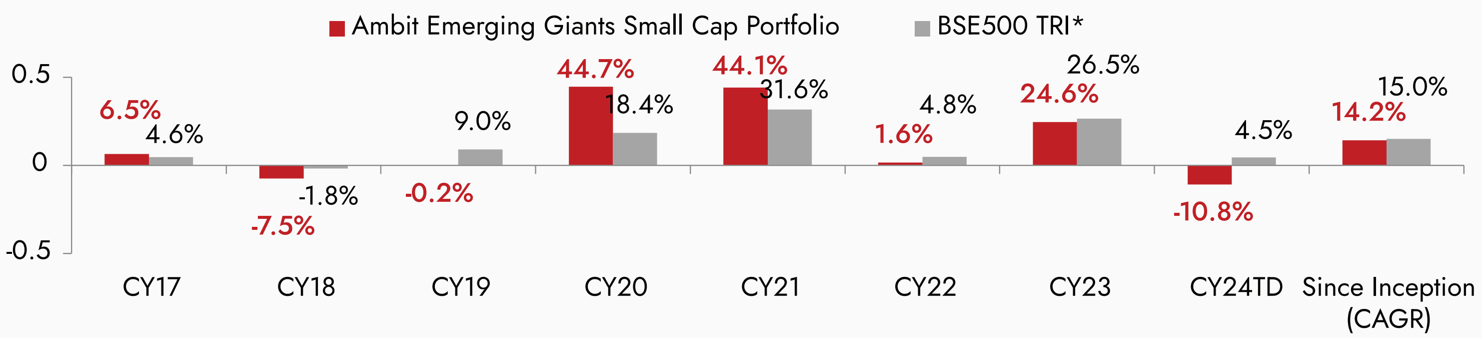
Small caps with secular growth, superior return ratios and no leverage — Ambit's Emerging Giants portfolio aims to invest in small-cap companies with market-dominating franchises and a track record of clean accounting, governance and capital allocation. The fund typically invests in companies with market caps less than Rs4,000cr. These companies have excellent financial track records, superior underlying fundamentals (high RoCE, low debt), and the ability to deliver healthy earnings growth over long periods of time. However, given their smaller sizes, these companies are not well discovered, owing to lower institutional holdings and lower analyst coverage. Rigorous framework-based screening coupled with extensive bottom-up due diligence led us to a concentrated portfolio of 15-16 emerging giants.

Exhibit 5: Ambit Emerging Giants Small Cap Portfolio point-to-point performance



Source: Ambit; Portfolio inception date is December 1, 2017; Returns as of March 31st 2024; All returns above 1 year are annualized. Returns are net of all fees and expenses.
*BSE 500 TRI is the selected benchmark for the Ambit Emerging Giants Small Cap Portfolio and the same is reported to SEBI.

Exhibit 6: Ambit Emerging Giants Small Cap Portfolio calendar year performance



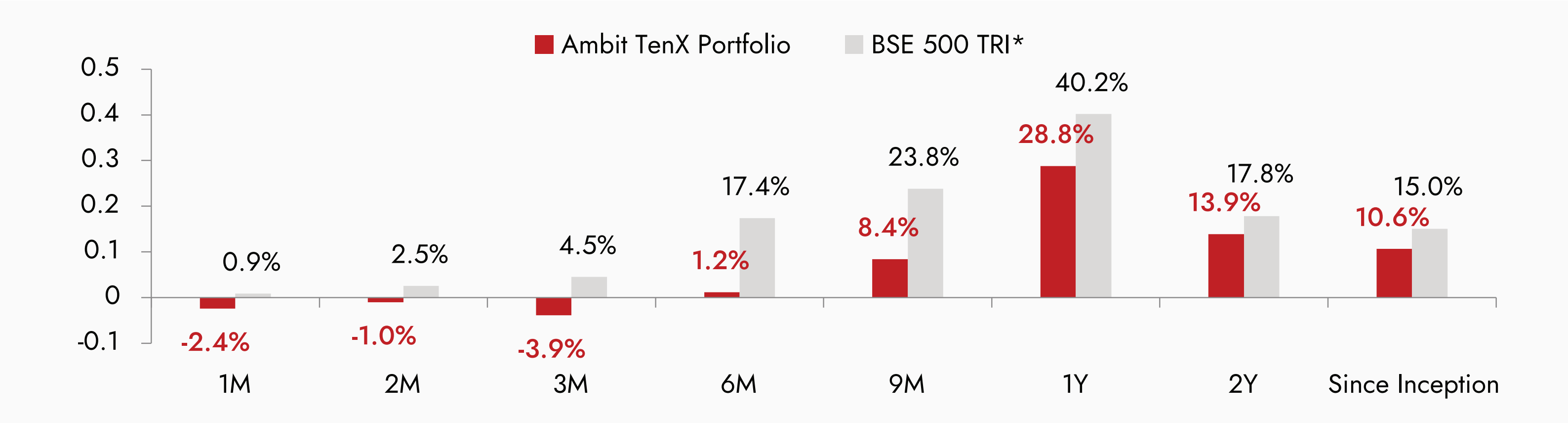
Source: Ambit; Portfolio inception date is December 1, 2017; Returns as of March 31st 2024. Returns are net of all fees and expenses.
*BSE 500 TRI is the selected benchmark for the Ambit Emerging Giants Small Cap Portfolio and the same is reported to SEBI.

AMBIT TenX PORTFOLIO

Ambit TenX Portfolio gives investors an opportunity to participate in the India growth story as the Indian GDP heads towards a US$10tn mark over the next 12-15 years. Mid and Small corporates are expected to be the key beneficiaries of this growth. The portfolio intends to capitalize on this opportunity by identifying and investing in primarily mid & small cap companies that can grow their earnings 10x over the same period implying 18-21% CAGR. Key features of this portfolio would be as follows:

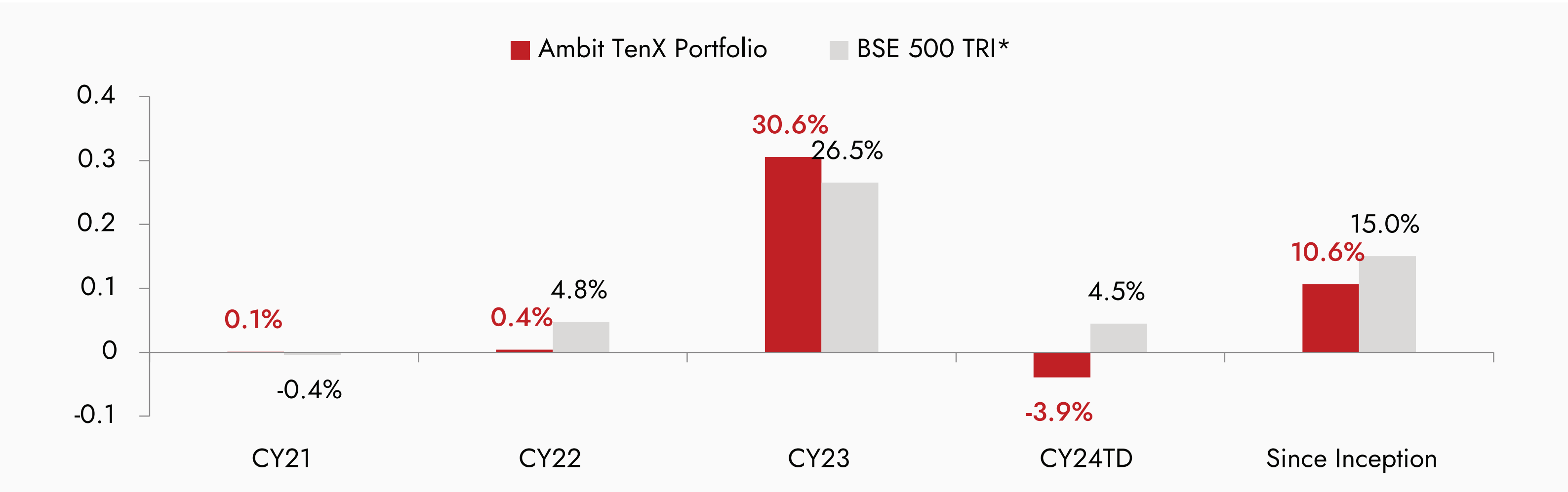
- Longer-term approach with a concentrated portfolio: Ideal investment duration of >5 years with 15-20 stocks.
- Key driving factors: Low penetration, strong leadership, light balance sheet
- Forward-looking approach: Relying less on historical performance and more on future potential while not deviating away from the Good & Clean philosophy.
- No Key-man risk: Process is the Fund Manager

Exhibit 7: Ambit TenX Portfolio point-to-point performance



Source: Ambit; Portfolio inception date is December 13, 2021; Returns as of March 31st 2024; Returns are net of all fees and expenses
*BSE 500 TRI is the selected benchmark for the Ambit TenX Portfolio and the same is reported to SEBI.

Exhibit 8: Ambit TenX Portfolio calendar year performance



Source: Ambit; Portfolio inception date is December 13, 2021; Returns as of March 31st 2024. Returns are net of all fees and expenses
*BSE 500 TRI is the selected benchmark for the Ambit TenX Portfolio and the same is reported to SEBI.

For any queries, please contact:
Umang Shah - Phone: +91 22 6623 3281,
Email - aiapms@ambit.co
Registered Address: Ambit Investment Advisors Private Limited -
Ambit House, 449, Senapati Bapat Marg,
Lower Parel, Mumbai - 400 013

Corporate Address: Ambit Investment Advisors Private Limited -
2103/2104, 21st Floor, One Lodha Place,
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Ambit Investment Advisors Private Limited ("Ambit"), is a registered Portfolio Manager with Securities and Exchange Board of India vide registration number INP000005059.
The performance of the Portfolio Manager has not been approved or recommended by SEBI nor SEBI certifies the accuracy or adequacy of the performance related information contained therein. Returns are calculated using TWRR method as prescribed under revised SEBI (Portfolio Managers) Regulations, 2020. Performance is net of all fees and expenses. Past performance is not a reliable indicator of future results. Please note that performance of your portfolio may vary from that of other investors and that generated by the Investment Approach across all investors because of 1) the timing of inflows and outflows of funds; and 2) differences in the portfolio composition because of restrictions and other constraints. For comparative Performance relative to other Portfolio Managers within the selected Strategy, please visit: bit.ly/APMI_PMS
This presentation / newsletter / report is strictly for information and illustrative purposes only and should not be considered to be an offer, or solicitation of an offer, to buy or sell any securities or to enter into any Portfolio Management agreements. This presentation / newsletter / report is prepared by Ambit strictly for the specified audience and is not intended for distribution to public and is not to be disseminated or circulated to any other party outside of the intended purpose. This presentation / newsletter / report may contain confidential or proprietary information and no part of this presentation / newsletter / report may be reproduced in any form without its prior written consent to Ambit. All opinions, figures, charts/ graphs, estimates and data included in this presentation / newsletter / report is subject to change without notice. This document is not for public distribution and if you receive a copy of this presentation / newsletter / report and you are not the intended recipient, you should destroy this immediately. Any dissemination, copying or circulation of this communication in any form is strictly prohibited. This material should not be circulated in countries where restrictions exist on soliciting business from potential clients residing in such countries. Recipients of this material should inform themselves about and observe any such restrictions. Recipients shall be solely liable for any liability incurred by them in this regard and will indemnify Ambit for any liability it may incur in this respect.
Neither Ambit nor any of their respective affiliates or representatives make any express or implied representation or warranty as to the adequacy or accuracy of the statistical data or factual statement concerning India or its economy or make any representation as to the accuracy, completeness, reasonableness or sufficiency of any of the information contained in the presentation / newsletter / report herein, or in the case of projections, as to their attainability or the accuracy or completeness of the assumptions from which they are derived, and it is expected each prospective investor will pursue its own independent due diligence. In preparing this presentation / newsletter / report, Ambit has relied upon and assumed, without independent verification, the accuracy and completeness of information available from public sources. Accordingly, neither Ambit nor any of its affiliates, shareholders, directors, employees, agents or advisors shall be liable for any loss or damage (direct or indirect) suffered as a result of reliance upon any statements contained in, or any omission from this presentation / newsletter / report and any such liability is expressly disclaimed. Further, the information contained in this presentation / newsletter / report has not been verified by SEBI.
You are expected to take into consideration all the risk factors including financial conditions, risk-return profile, tax consequences, etc. You understand that the past performance or name of the portfolio or any similar product do not in any manner indicate surety of performance of such product or portfolio in future. You further understand that all such products are subject to various market risks, settlement risks, economical risks, political risks, business risks, and financial risks etc. and there is no assurance or guarantee that the objectives of any of the strategies of such product or portfolio will be achieved. You are expected to thoroughly go through the terms of the arrangements / agreements and understand in detail the risk-return profile of any security or product of Ambit or any other service provider before making any investment. You should also take professional / legal /tax advice before making any decision of investing or disinvesting. The investment relating to any products of Ambit may not be suited to all categories of investors. Ambit or Ambit associates may have financial or other business interests that may adversely affect the objectivity of the views contained in this presentation / newsletter / report.
Ambit does not guarantee the future performance or any level of performance relating to any products of Ambit or any other third party service provider. Investment in any product including mutual fund or in the product of third party service provider does not provide any assurance or guarantee that the objectives of the product are specifically achieved. Ambit shall not be liable for any losses that you may suffer on account of any investment or disinvestment decision based on the communication or information or recommendation received from Ambit on any product. Further Ambit shall not be liable for any loss which may have arisen by wrong or misleading instructions given by you whether orally or in writing. The name of the product does not in any manner indicate their prospects or return.
The product 'Ambit Coffee Can Portfolio' has been migrated from Ambit Capital Private Limited to Ambit Investments Advisors Private Limited. Hence some of the information in this presentation may belong to the period when this product was managed by Ambit Capital Private Limited.
The performance data for coffee can product between 6th march 2017 - 19th June 2017 represents model portfolio returns. First client was onboarded on 20th June 2017. The performance data for G&C product between 1st June 2016 to 1st April 2018 also includes returns for funds managed for an advisory offshore client. Returns are calculated using TWRR method as prescribed under revised SEBI (Portfolio Managers) Regulations, 2020
You may contact your Relationship Manager for any queries.