Ambit
Asset Management

MONTHLY NEWSLETTER

SEPTEMBER 2023

QUARTERLY INSIGHTS

1QFY24 – A Mixed Bag

Dear Patron,

What a proud moment it is to be an Indian! We have created history by becoming the first country to successfully land on the south pole of the lunar surface. It not just solidifies India's position as a major spacefaring nation, but also will lead to an influx of international collaborations, partnerships, and investments in the Indian space sector. We seem be slowly but surely on our way to global leadership.

The new fiscal year has started with renewed global turbulence. Slowing growth in major economies, persistent high inflation and tightening of financial conditions have made the global landscape volatile. In the midst of all this turmoil, India's economy is in a relatively sweet spot.

In India, Q1FY24 earnings season saw healthy performance, with wide divergences across sectors and companies. Nifty posted strong 32% YoY earnings growth (a beat) in 1QFY24. The key theme of the quarter was gross margin expansion, which helped companies improve their profitability however revenue growth was subdued largely on account of muted volume growth. Companies in our portfolios saw healthy double digit growth with most of them outperforming their respective benchmarks. **In this newsletter, we take a look at how each of the sectors performed, the winners/laggards in each of them, and what to expect going forward!**

Exhibit 1: Healthy earnings across our portfolios during the quarter

	Net Sales YoY%			EBITDA YoY%			PAT YoY%		
Coffee Can PMS	**Q1FY24**	**Q4FY23**	**Q1FY23**	**Q1FY24**	**Q4FY23**	**Q1FY23**	**Q1FY24**	**Q4FY23**	**Q1FY23**
Weighted avg	13%	15%	51%	18%	16%	130%	25%	18%	238%
Median	13%	17%	38%	22%	17%	37%	32%	20%	43%
Good & Clean PMS	**Q1FY24**	**Q4FY23**	**Q1FY23**	**Q1FY24**	**Q4FY23**	**Q1FY23**	**Q1FY24**	**Q4FY23**	**Q1FY23**
Weighted avg	14%	19%	150%	17%	24%	133%	0%	12%	186%
Median	17%	11%	38%	16%	20%	26%	14%	17%	56%
Ambit Emerging Giants PM	**Q1FY24**	**Q4FY23**	**Q1FY23**	**Q1FY24**	**Q4FY23**	**Q1FY23**	**Q1FY24**	**Q4FY23**	**Q1FY23**
Weighted avg	17%	24%	46%	28%	41%	74%	26%	187%	139%
Median	11%	24%	40%	20%	18%	30%	23%	15%	39%
Ambit TenX PMS	**Q1FY24**	**Q4FY23**	**Q1FY23**	**Q1FY24**	**Q4FY23**	**Q1FY23**	**Q1FY24**	**Q4FY23**	**Q1FY23**
Weighted avg	18%	23%	75%	22%	37%	171%	22%	130%	169%
Median	24%	29%	38%	22%	22%	33%	21%	21%	44%
Nifty	5%	13%	12%	22%	12%	34%	32%	16%	17%
Nifty Midcap 100	23%	16%	26%	27%	6%	-9%	23%	8%	13%
BSE smallcap	22%	14%	21%	22%	13%	2%	21%	13%	17%
BSE 400	33%	44%	10%	10%	12%	17%	8%	10%	28%
BSE 500	7%	14%	39%	33%	15%	19%	46%	14%	23%

Source: Bloomberg, Ambit Asset Management, Note: For Nifty Midcap 100 we have taken the median of Index constituents.

Performance of different sectors of our portfolio for the 1QFY24 quarter

Sector	Positives	Negatives	Key Winners	Key Laggards
IT Services	1) Stabilizing US macros lending hopes of bottoming out 2) Strong Deal Win TCV 3) Strength in Manufacturing vertical	1) Sharp decline in BFS, CMT across most companies 2) Elongated decision-making cycles and delay in project ramp-up 3) -2% QoQ Median headcount decline across Tier-1	1) TCS, 2) Persistent	1) Mphasis, 2) LTIMindtree
Healthcare	1) Stabilizing prices in US Gx 2) Stabilization in RM prices leading to Gross Margin improvement 3) Better than expected gRevlimid traction	1) Volatility in CDMO companies owing to high COVID base 2) No sign of volume recovery in the Diagnostics industry 3) Decline in domestic Acute segment owing to seasonality	1) Suven Pharma	1) Laurus Labs
Auto	1) Healthy demand and gross margin expansion due to moderation in commodity prices has driven earnings;	1) Export outlook weak; Likely to come back by the 2HFY24 2) Competition intensifies	1) Eicher Motors, 2) TVS Motors; 3) Balkrishna Industries	1) Sundram Fastners
FMCG	1) Gradual recovery in demand due to moderating inflation, improving consumer confidence, and an increase in government spending. 2) Rural demand is witnessing a gradual improvement.	1) Deflation has led to localized/regional rivals coming back into the market thereby leading to a drop in market share for large players.	1) ITC 2) Nestle	1) Amrutanajan 2) Healthcare Ltd.
Building Materials	1) Demand remains robust for most building material segments owing to strong real estate and replacement demand. 2) Margin improvement is very robust owing to benign gas and RM prices.	1) Increasing competitive intensity especially from smaller and unorganized players due to a strong demand environment and lower input costs could impact growth	1) Cera Sanitaryware 2) Supreme Industries	N.A.
Chemicals	1) Agri-CSM players focusing on innovators like PI Industries have been able to grow robustly despite severe external headwinds.	1) Sectoral downturn witnessed in chemical space owing to higher inventory in ag-chem, weakness in textiles, dyes and pigments & benign pharma environment. 2) Dumping by Chinese players has also resulted in a substantial drop in chemical prices especially on the negative side.	1) PI Industries	1) Aarti Industries

Sector	Positives	Negatives	Key Winners	Key Laggards
Consumer Discretionary & Retail	1) Gross margin expansion reported due to moderation in RM prices 2) EBITDA growth were steady owing to normalization of operating expenditures.	1) The retail sector witnessed a deceleration in volume growth. 2) Receding affordability index leading to moderation of growth & down trading. 3) QSR: LFL declined y-o-y, one of the lowest store additions for the quarter.	1) Safari Industries 2) Trent	1) Avenue supermart
Consumer Durable	1) Cables saw robust growth led by infra/industrial demand and export markets, 2) Soft commodity cost aid gross margin	1) Unseasonal rains in peak summer months of April-May affected the demand for summer products, but it recovered in June,	1) Havells	N.A
Banks & Financials	1) Robust revenue expansion propelled by strong loan growth of approximately 15% YoY. 2) A notable earnings surge YoY (~70%), driven by increased treasury income and a decline in credit costs. Return on equity (RoE) sustained.	1) Net interest margin (NIM) compression for the sector could sustain. 2) Expect opex to remain elevated due to business expansion 3) CASA growth remained a key challenge.	1) ICICI Bank 2) CIFC	1) DCB 2) Axis Bank

CONCLUSION:

Financials, auto & building materials were clearly the key outperformers, while metals, IT and chemicals were key laggards. Domestic consumption trends remain a mixed bag with entry-level consumption yet to show evidence of full demand recovery. Adding to that most of the foreign portfolio equity outflow from India in 2022 has already returned by August 2023 and the flows are likely to remain positive. Macro and corporate fundamentals and supporting liquidity suggest a strong outlook for the Indian equities. This could underpin the underlying overall optimistic narrative of India. Despite the high base effect, corporate earnings growth remains positive (Nifty posted 32% YoY earning growth in 1QFY24) and given the softening of RM prices margin expansion is likely to gather momentum in the near to medium term.

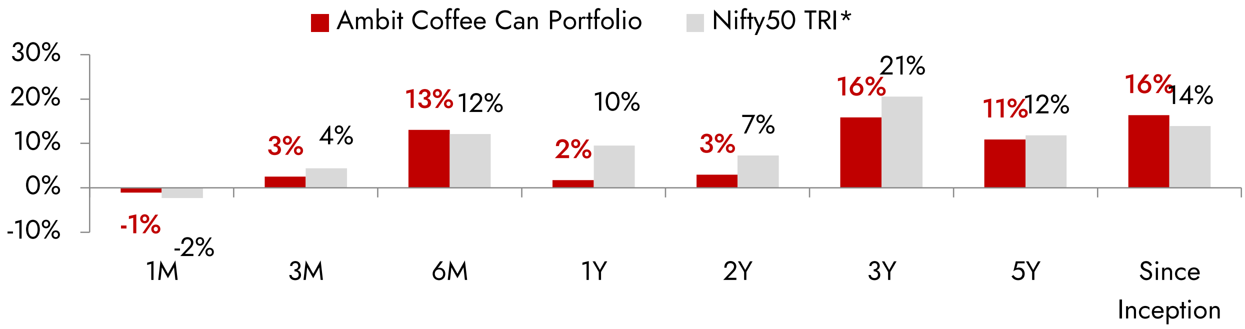
As swift as stable

Long term stability or agility in service?
What would you rather choose, when it comes to investing your hard-earned money?
With Ambit Asset Management, you won't have to.
While it uses its deep-dive research and disciplined approach to lend stability to your portfolio, its strong digital outreach ensures an agile and transparent service.
The result?

Ambit Coffee Can Portfolio

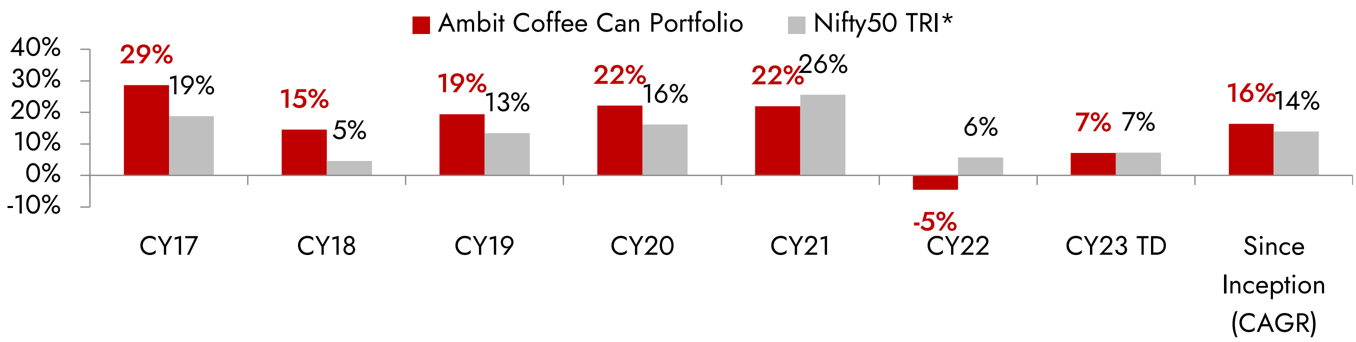
At Coffee Can Portfolio, we do not attempt to time commodity/investment cycles or political outcomes and prefer resilient franchises in the retail and consumption-oriented sectors. The Coffee Can philosophy has an unwavering commitment to companies that have consistently sustained their competitive advantages 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 2: Ambit's Coffee Can Portfolio point-to-point performance



Source: Ambit; Portfolio inception date is March 6, 2017; Returns as of August 31st 2023; 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 3: Ambit's Coffee Can Portfolio calendar year performance



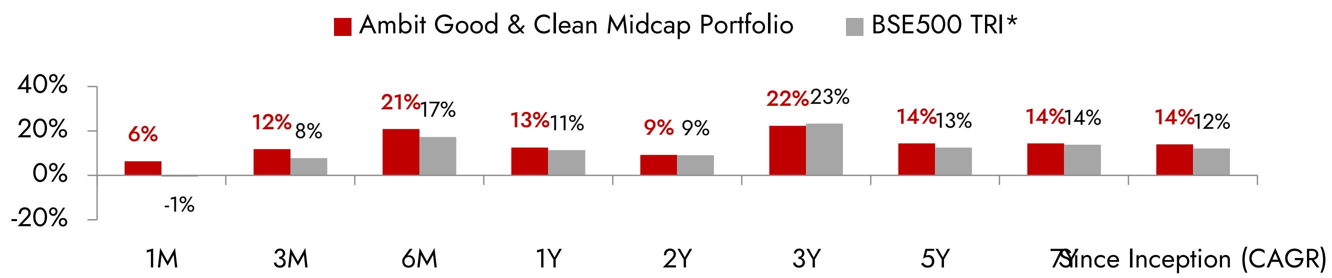
Source: Ambit; Portfolio inception date is March 6, 2017; Returns as of August 31st 2023; All returns are post fees and expenses. Note: Returns prior to Apr'19 are returns of all the Pool accounts excluding non-aligned portfolio, and returns post Apr'19 is based on TWRR returns of all the pool accounts.
* 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:

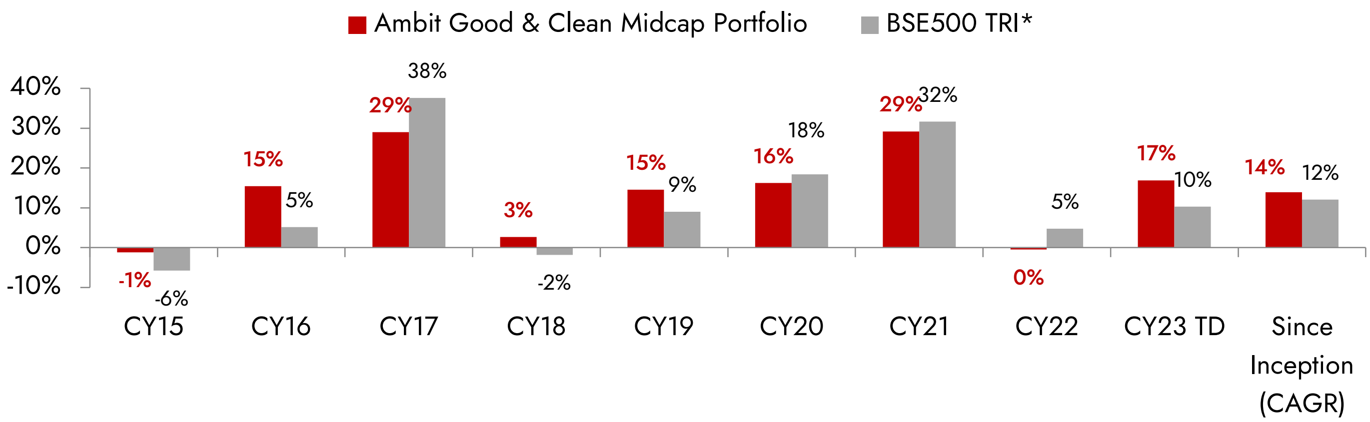
- Process-oriented approach to investing: Typically starting at the largest 500 Indian companies, Ambit's proprietary frameworks for assessing accounting quality and efficacy of capital allocation help narrow down the investible universe to a much smaller subset. This shorter universe is then evaluated 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 4: Ambit's Good & Clean Midcap Portfolio point-to-point performance



Source: Ambit; Portfolio inception date is March 12, 2015; Returns as of August 31st 2023; 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 strategy and the same is reported to SEBI.

Exhibit 5: Ambit's Good & Clean Midcap Portfolio calendar year performance

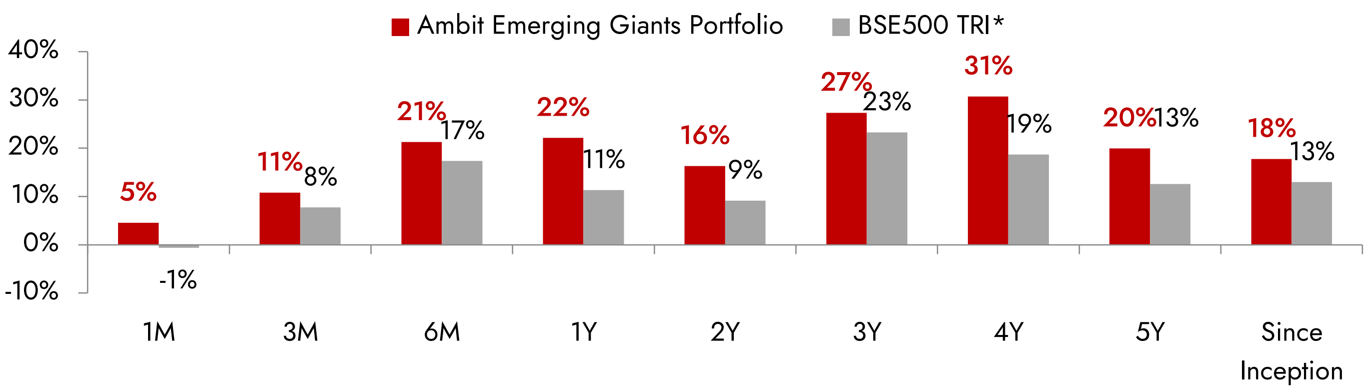


Source: Ambit; Portfolio inception date is March 12, 2015; Returns as of August 31st 2023. Returns are net of all fees and expenses.
*BSE 500 TRI is the selected benchmark for the Ambit Good & Clean Midcap strategy and the same is reported to SEBI.

Ambit Emerging Giants Portfolio

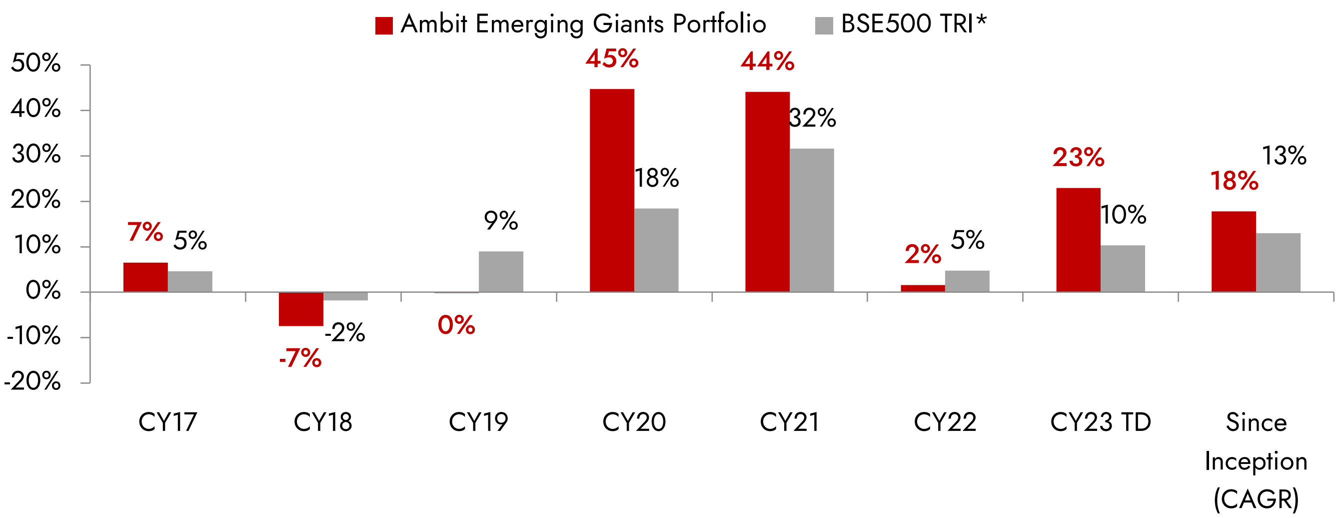
Small caps with secular growth, superior return ratios and no leverage – Ambit's Emerging Giants portfolio aims to invest in small-cap companies with market-dominating franchises and a track record of clean accounting, governance and capital allocation. The fund typically invests in companies with market 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 6: Ambit Emerging Giants Portfolio point-to-point performance



Source: Ambit; Portfolio inception date is December 1, 2017; Returns as of August 31st 2023; 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 strategy and the same is reported to SEBI.

Exhibit 7: Ambit Emerging Giants Portfolio calendar year performance



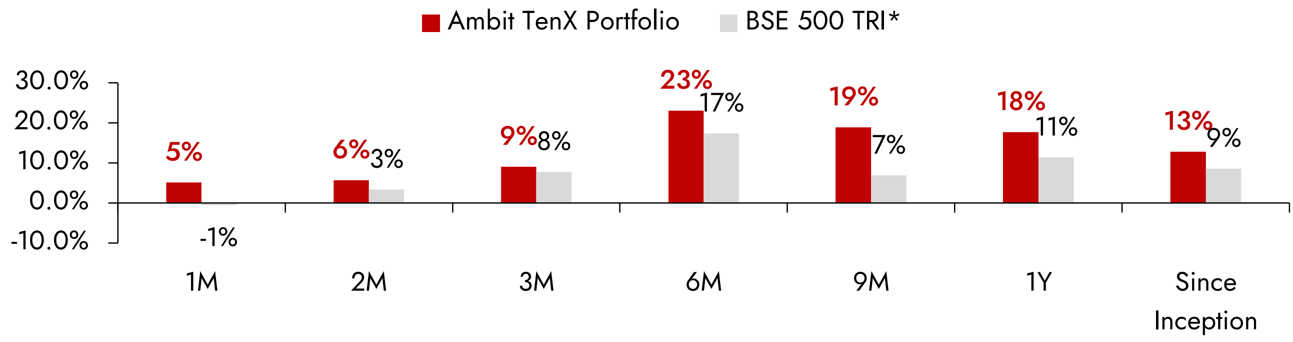
Source: Ambit; Portfolio inception date is December 1, 2017; Returns as of August 31st 2023. Returns are net of all fees and expenses.
*BSE 500 TRI is the selected benchmark for the Ambit Emerging Giants strategy and the same is reported to SEBI.
.

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:

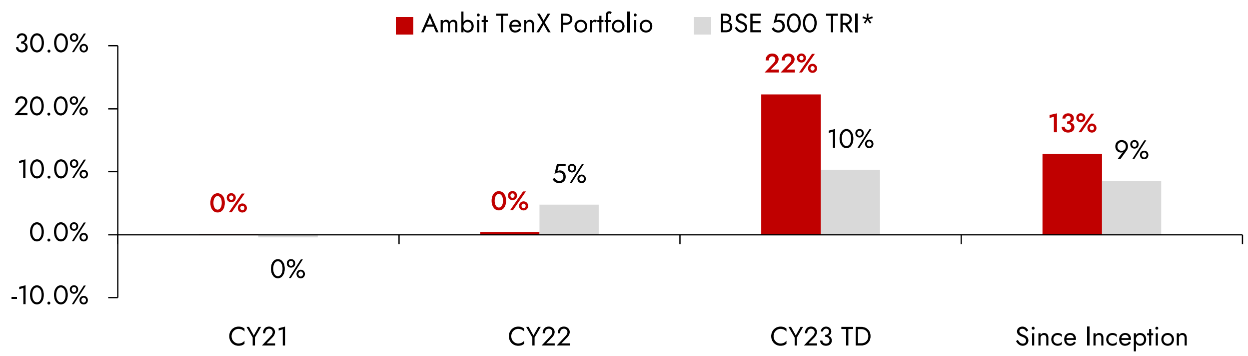
- Longer-term approach with a concentrated portfolio: Ideal investment duration of >5 years with 15-20 stocks.
- Key driving factors: Low penetration, strong leadership, light balance sheet
- Forward-looking approach: Relying less on historical performance and more on future potential while not deviating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

Exhibit 8: Ambit TenX Portfolio point-to-point performance



Source: Ambit; Portfolio inception date is December 13, 2021; Returns as of August 31st 2023; 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 9: Ambit TenX Portfolio calendar year performance



Source: Ambit; Portfolio inception date is December 13, 2021; Returns as of August 31st 2023. 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

Risk Disclosure & Disclaimer

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.