

# ASK Lighthouse Portfolio

Presenting a portfolio that invests predominantly in a few (3 or 4) focused themes / sectors at a time with deep and large opportunities.



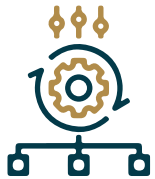
# ASK Lighthouse Portfolio



**Invest predominantly in a few (3 or 4) focused themes / sectors at a time:**  
Presenting deep and large opportunities



**Agile management of Themes :**  
Flexibility to change themes, keeping the broad investment philosophy intact, as with time, the greater impact of transformational benefits might get saturated



**Where-in structural transformation is underway:**  
Changes where the extent of impact is high, which are likely to be reasonably durable (not transitory), and sizable in nature



**Mix of Top-Down & Bottom-Up Approach:**  
Themes may be conceived on a top-down or bottom-up basis, while selection of the businesses would be on a bottom-up basis

## Current Focus Areas:



Infrastructure



Energy



Defence



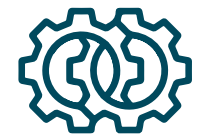
Manufacturing



Railways



Capital goods



Allied sectors

# Theme Selection

## Theme Entry Characteristics:

Structural changes (and not short-term) with deep impact and **sizeable** in nature

Relative **youthfulness** of the theme

Capture **high growth phase** of a theme, as growth rates could vary between time periods

Reasonably **durable** and not temporary

Seek adequate **Margin of Safety**

## Diversity:

**3 to 4** themes at a time

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## Dynamism:

Selection of deep contemporary opportunities with potential for dynamism over time

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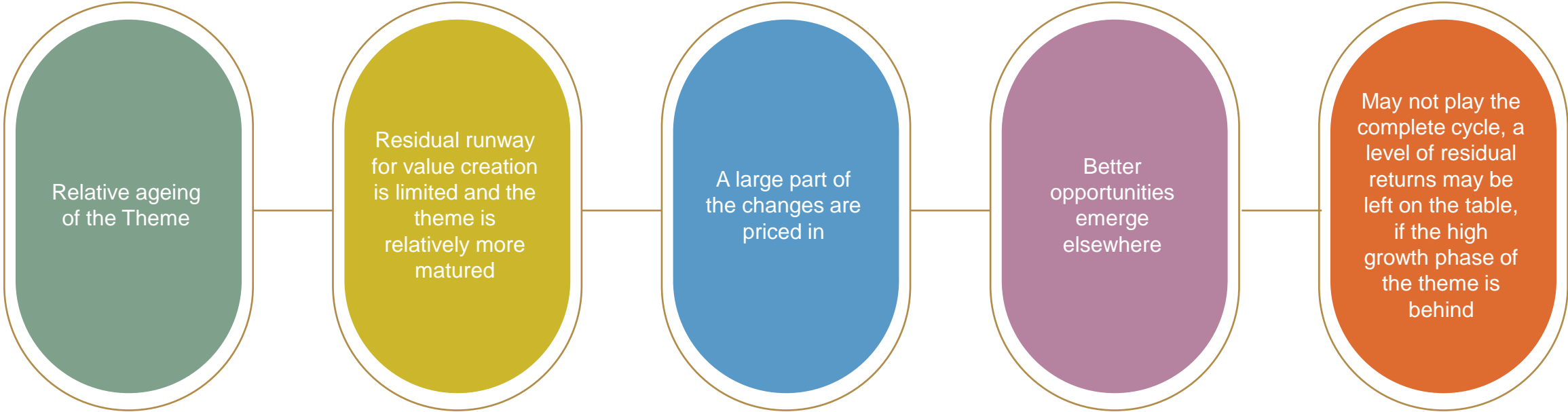
## Adequate representation of worthy themes:

- For **narrow** themes, number of stocks will be **lesser**
- For **broader** ones, there could be **more opportunities**
- Hence portfolio could have **15-30 stocks**

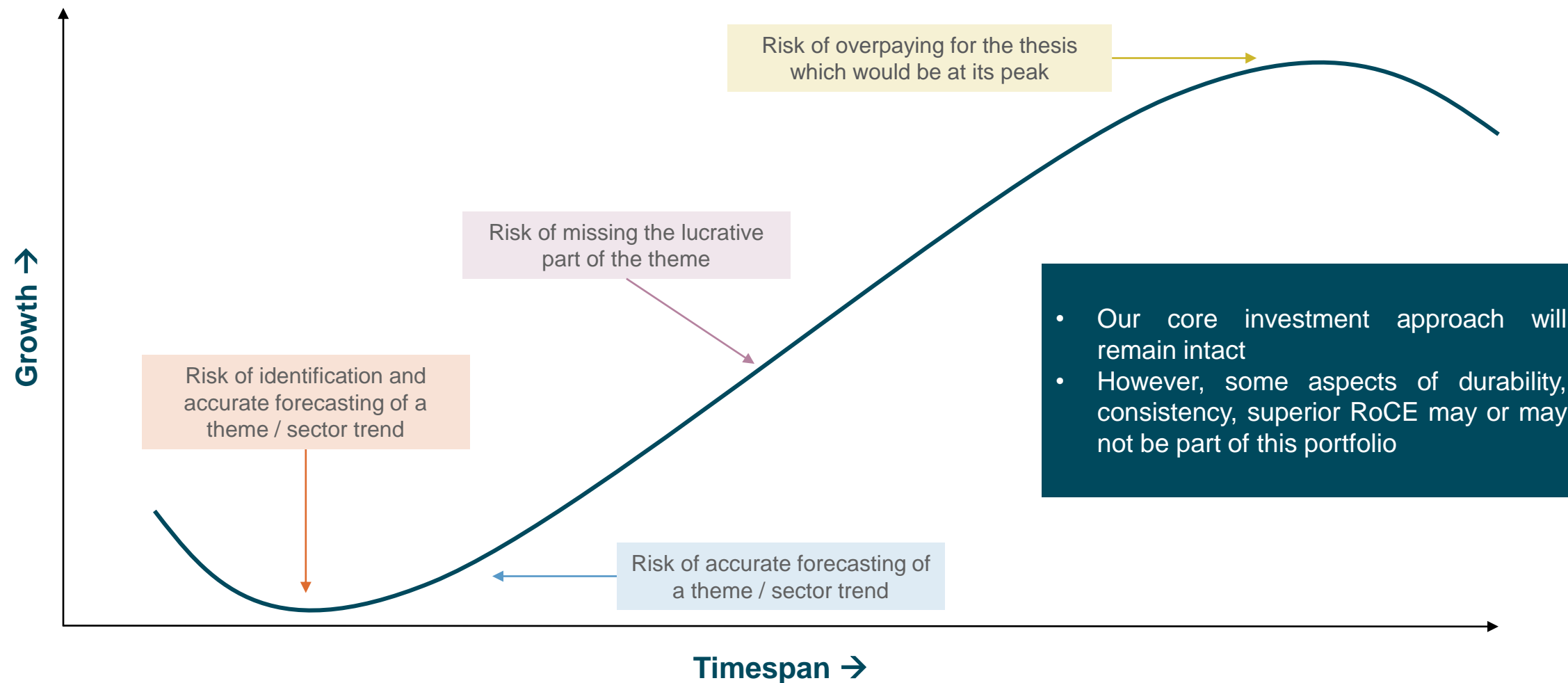


# Exit of a selected Theme

## Theme Exit Characteristics



# Risks associated with this approach



# How is it different v/s other ASK Portfolios?



Investments likely to happen on the **improvement journey of RoCEs**



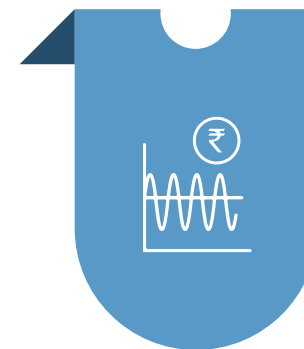
Historical **earnings** could be volatile, however during the high growth phase they are **expected to be strong**



Focus is on **capturing the high growth phase**, rather than the durability of the earnings



Idea is not as much about compounding of earnings, and hence **duration of investments may not be as long**



As the portfolio seeks more lucrative themes, it could lead to **relatively greater churn**



Transitioning from one theme to another could result in **high intermittent cash levels**

Key investment objective of capital preservation and capital appreciation will remain unchanged.  
Good management quality, strong moat and adequate margin of safety continue to be guiding principles

# Key Portfolio Characteristics



## Market Cap

Market cap agnostic portfolio



## Stock / Sector Limits:

Single stock limit of **10%** to mitigate concentration risk. High sectoral exposure possible to tap the opportunity



## Number of Stocks:

Well constructed portfolio of **15-30** businesses. Bottom-up stock selection



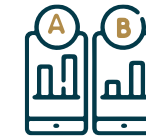
## Absolute Returns:

Endeavor to deliver absolute returns which should also lead to relative outperformance over a period of time



## Exit Load:

Nil



## Benchmark:

BSE 500-TRI

# Just to illustrate, a few Themes / Sectors

## Themes

Industrials & Infrastructure	Manufacturing / Logistics	Exports	Digitization
Holding Companies	Services	Consumption	Contra
Turnaround / Inflection points	Change of guard (Management / Owner)	Global diversification of supply chain	Atmanirbhar
and many more...			

## Sectors

BFSI	Healthcare	IT	Energy
Autos	Commodities	Real Estate	Media
Textiles	Telecom	Industrials	FMCG
and many more...			



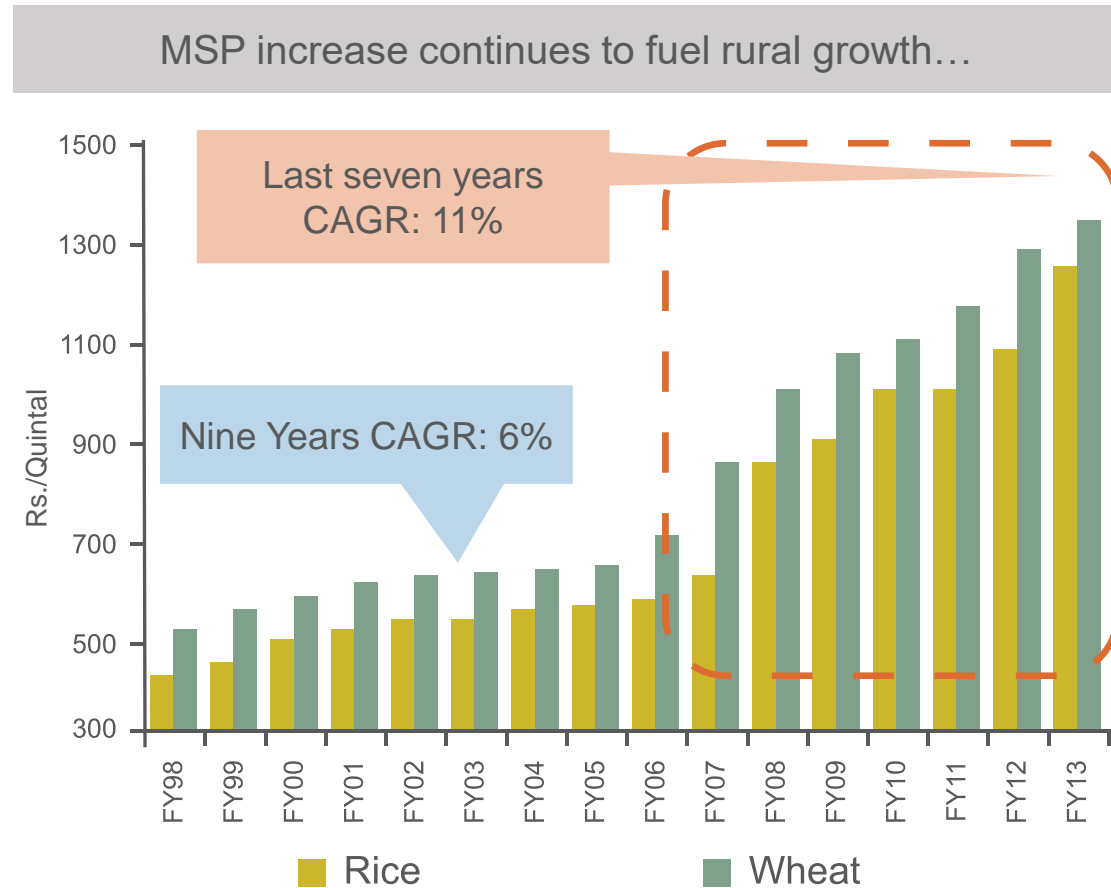
# Focus Theme: Critical for Alpha Generation

Index Name / 3Y CAGR	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
S&P BSE Consumer Discretionary Goods & Services					28%	17%	20%	21%						
S&P BSE Energy								18%	18%	20%	13%			
S&P BSE FMCG	14%	24%	24%	18%										
S&P BSE Finance					30%		17%		16%	20%				
S&P BSE Healthcare	15%	26%	16%	13%	35%	28%					14%	23%		
S&P BSE Industrials													33%	50%
S&P BSE IT	12%	34%		9%		24%					29%	39%		
S&P BSE Telecom												22%		
S&P BSE Utilities													26%	
S&P BSE Auto	22%	49%	15%	6%	32%	17%	18%							
S&P BSE Bankex			13%		33%		17%		16%	21%	8%			
S&P BSE Capital Goods													25%	44%
S&P BSE Con Durables		40%	27%			16%	25%	33%	20%	31%	10%	29%		
S&P BSE Metal									17%				26%	
S&P BSE Oil & Gas								18%						
S&P BSE Power													32%	41%
S&P BSE Realty								19%		22%		29%		
NSE Nifty PSU Bank Index														48%
NSE Nifty CPSE	32%													44%
<b>BSE 500-TRI</b>	<b>-1%</b>	<b>19%</b>	<b>5%</b>	<b>1%</b>	<b>25%</b>	<b>14%</b>	<b>14%</b>	<b>13%</b>	<b>12%</b>	<b>14%</b>	<b>8%</b>	<b>19%</b>	<b>18%</b>	<b>20%</b>

**Identification of right theme can lead to potential superior performance**

# Consumption Theme: Staples (FMCG) – 2010-12

Rise in MSPs, increased allocations on rural welfare in 2010-12 stimulated low-ticket consumption demand, thereby benefitting FMCG sector.



Source: FCI, ASK IM Research

...so does increasing government spend on rural welfare

Rs. Bn	2008-13 CAGR	2009-2010	2010-11	2011-12	2012-13	2013-14
SSA	20%	131	150	204	255	272
MDM	14%	80	94	100	119	132
NREGA	-3%	391	401	400	370	330
IAY	15%	88	100	100	120	151
PMGSY	16%	120	120	200	240	217
NRHM	8%	155	171	198	208	212

Source: Finance Ministry, ASK IM Research

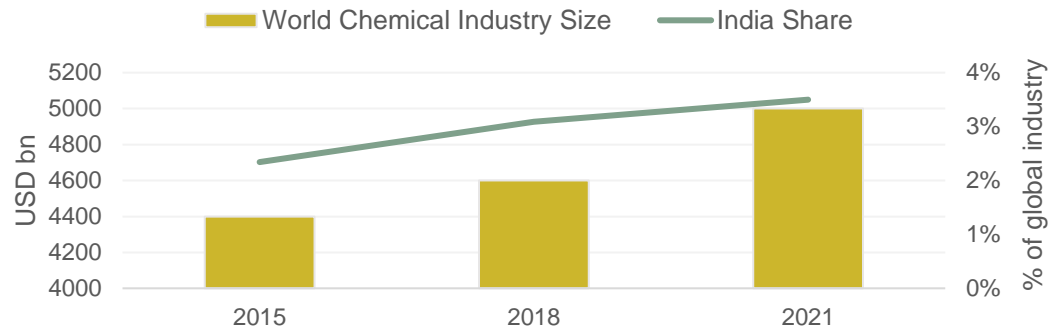
Index Name	2010	2011	2012
S&P BSE FMCG	28%	2%	46%
BSE 500-TRI	18%	-26%	33%

Source: Bloomberg, ASK IM Research

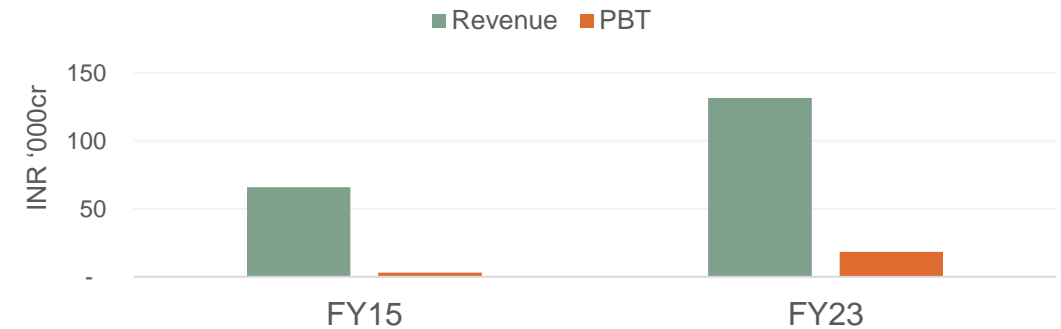
# Exports / Import Substitution: Chemical Industry – 2015-21

India's market share in global chemical industry increased in 2015-2021 driven by faster domestic and export growth leading to increase in revenues and margin improvements translating into superior return compounding

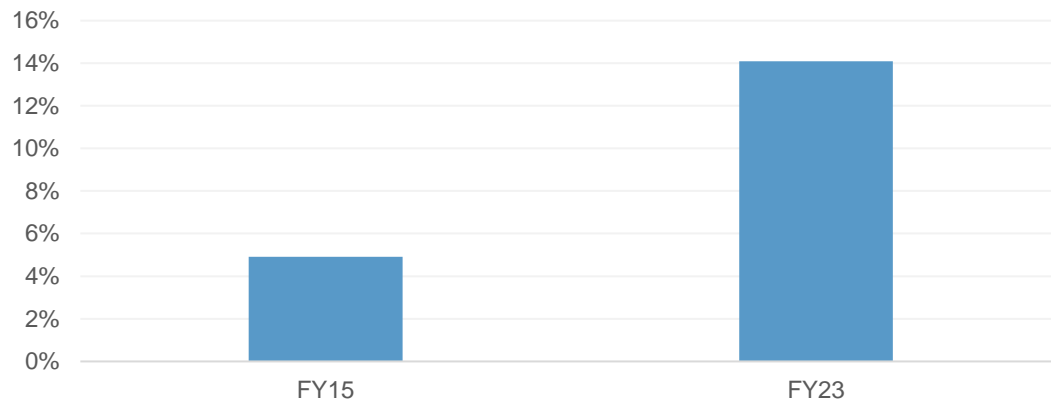
**Global Chemical Industry and India's share\***



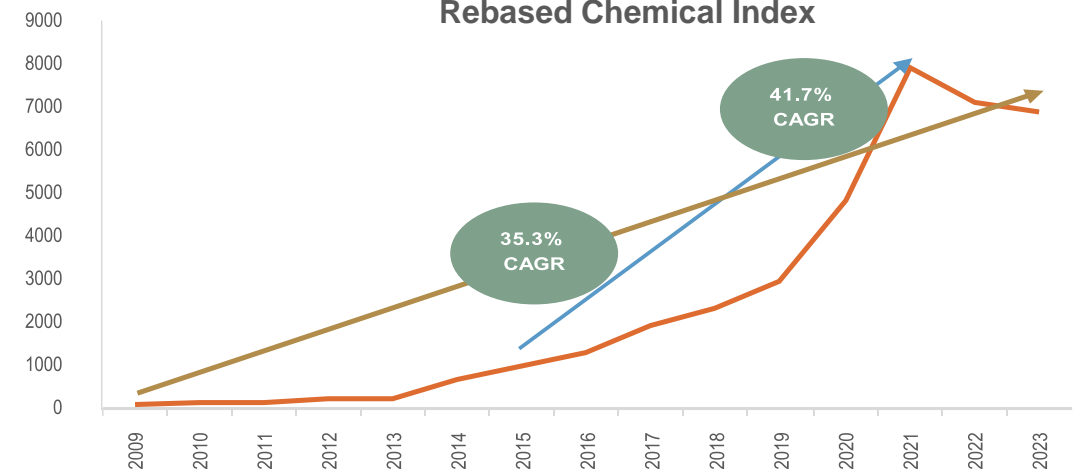
**Listed chemical companies cumulative Revenue & PBT\***



**PBT Margin\***



**Rebased Chemical Index**



Source: ASK IM Research and company filings.  
 \*Equal weighted index of 6 large chemical companies (SRF, Navin Fluorine, Aarti Industries, Atul Limited, Vinati Organics and Tata Chemical)  
 Above graph is only for reference purpose wherein we have curated the index with equal weighted of above-mentioned large cap companies. The graphs and underlying interpretation may vary if entire universe of companies falling under chemical sector are taken into consideration

# Consumption: Discretionary (Auto Sector) – 2010-12

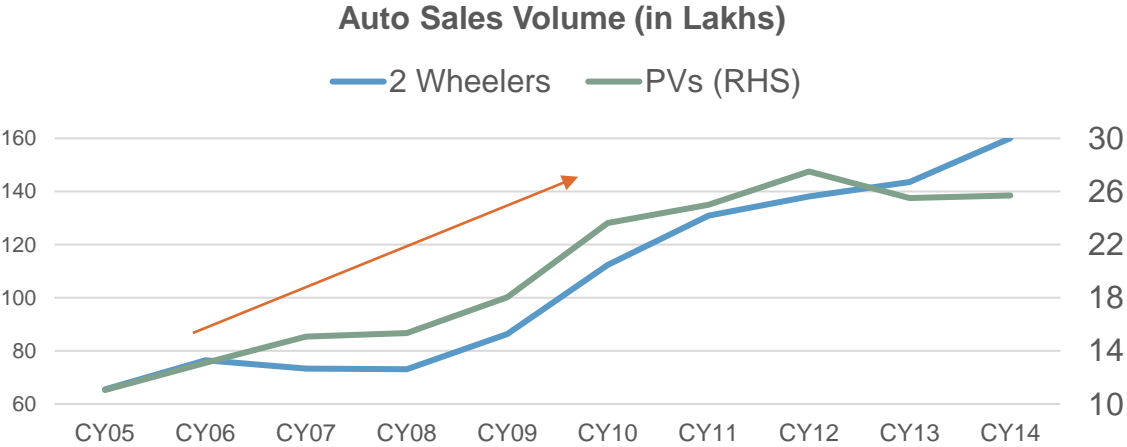
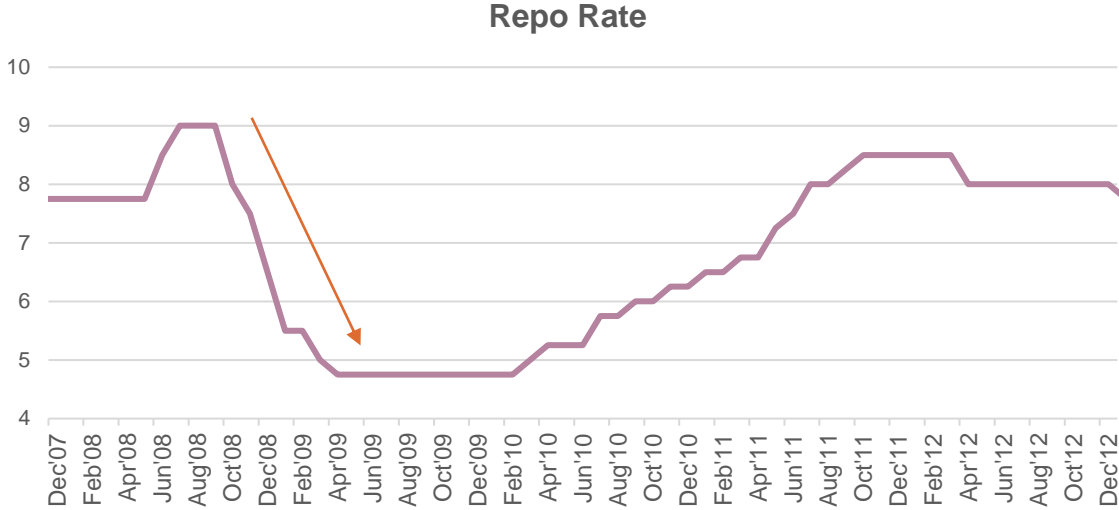
**Cut in Excise Duty**

*Government Action*

**Sixth Pay Commission disbursement**

*One-time event*

These Government actions along with monetary policy changes in the form of rate cuts led to rise in Discretionary consumption which benefitted Auto sales volumes



Index Name	2010	2011	2012
S&P BSE Auto	40%	7%	52%
BSE 500-TRI	33%	5%	39%

# Focus Themes: Infrastructure, Manufacturing, Defence

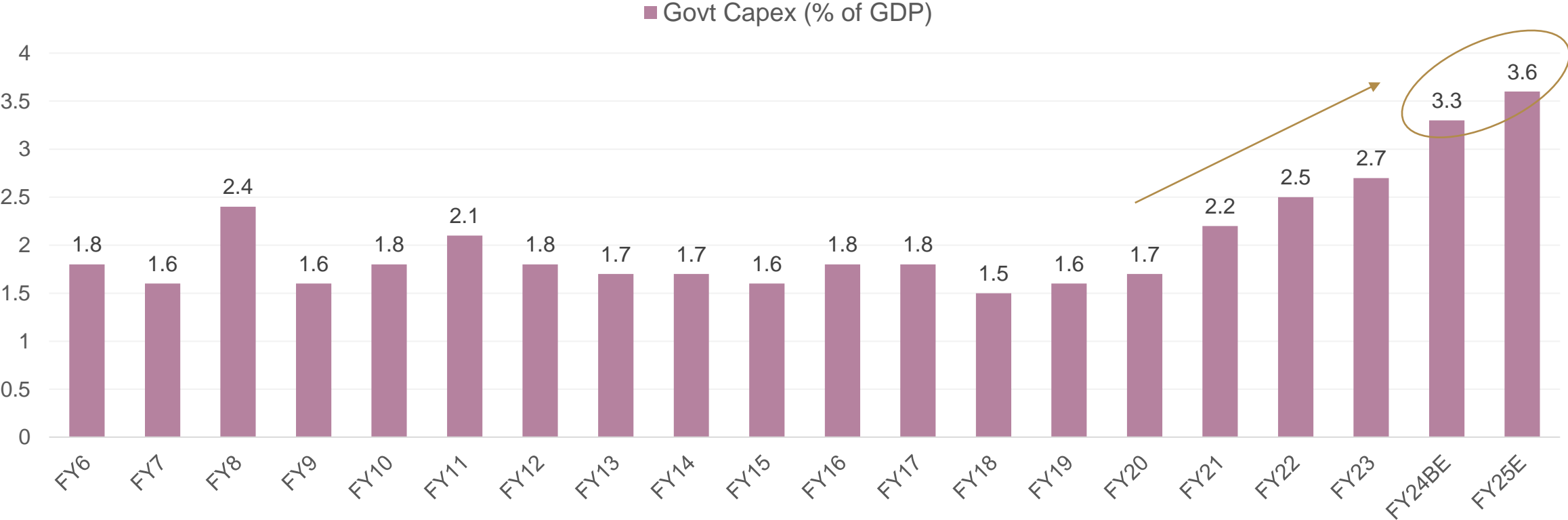


# Beneficiaries of rising Capex

Logistics	Power Distribution	Capital Goods	Construction	Housing Infrastructure
Defence	Power Transmission	Consumables	Cement	Communication
Mining	Power Generation	Pipes	Tourism Infrastructure	Aviation
Infrastructure Financiers	Railways	Cables & Wires	Healthcare Infrastructure	Building Materials
Energy Transition	Ports	Renewables	Roads	Manufacturing

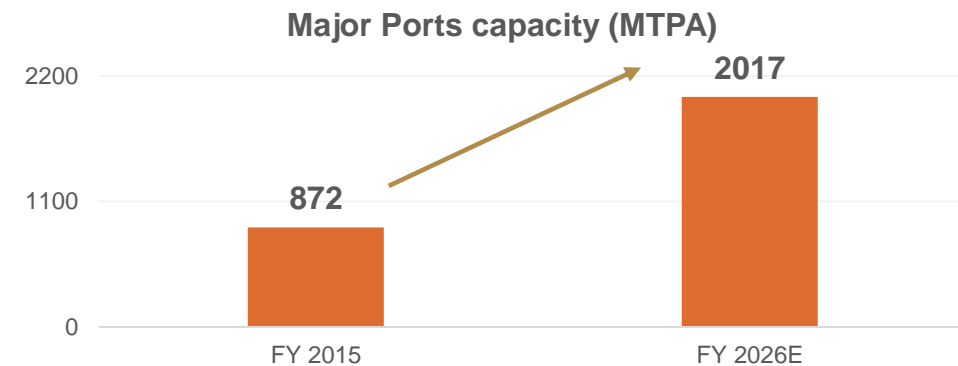
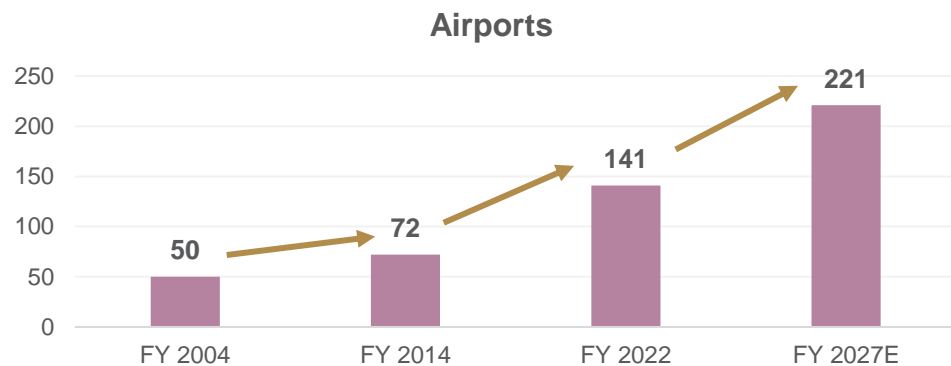
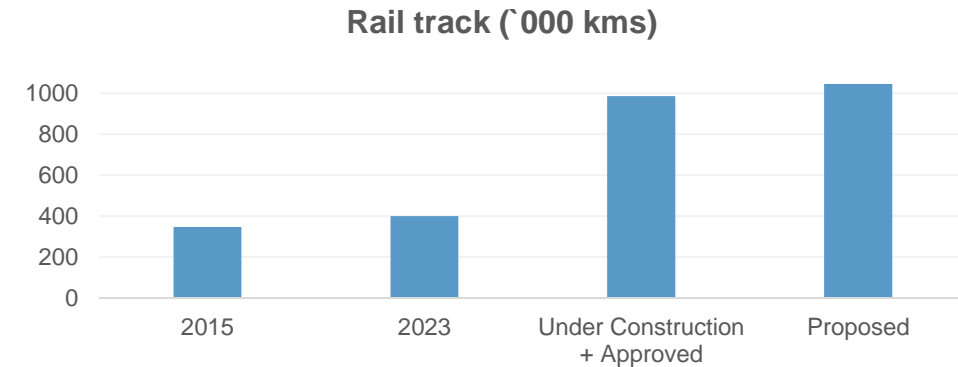
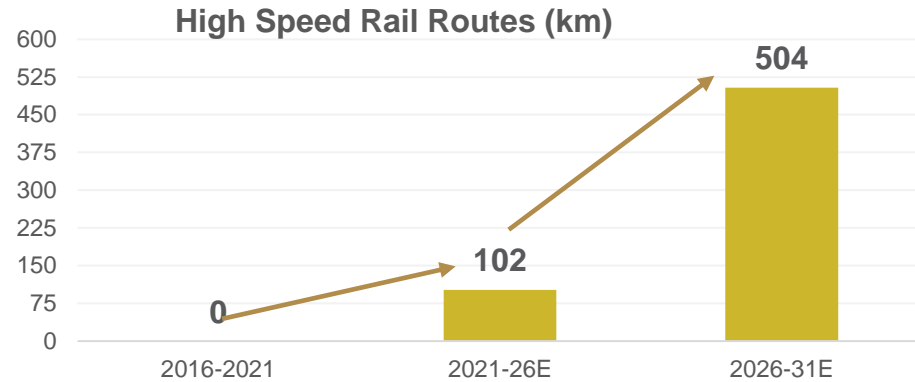


# Considerable increase in Capital Expenditure



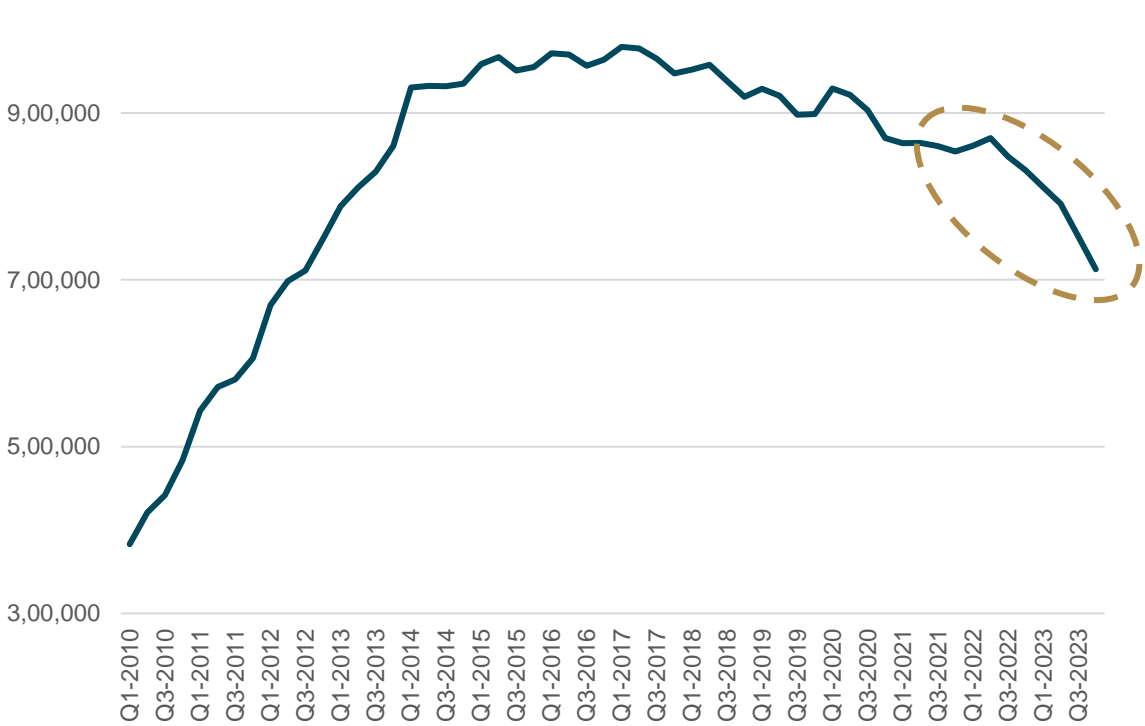
Capex budgeted to grow at a faster pace at 3.3% - 3.6% of GDP: highest level in over a decade

# Massive Growth in Infrastructure Capacity

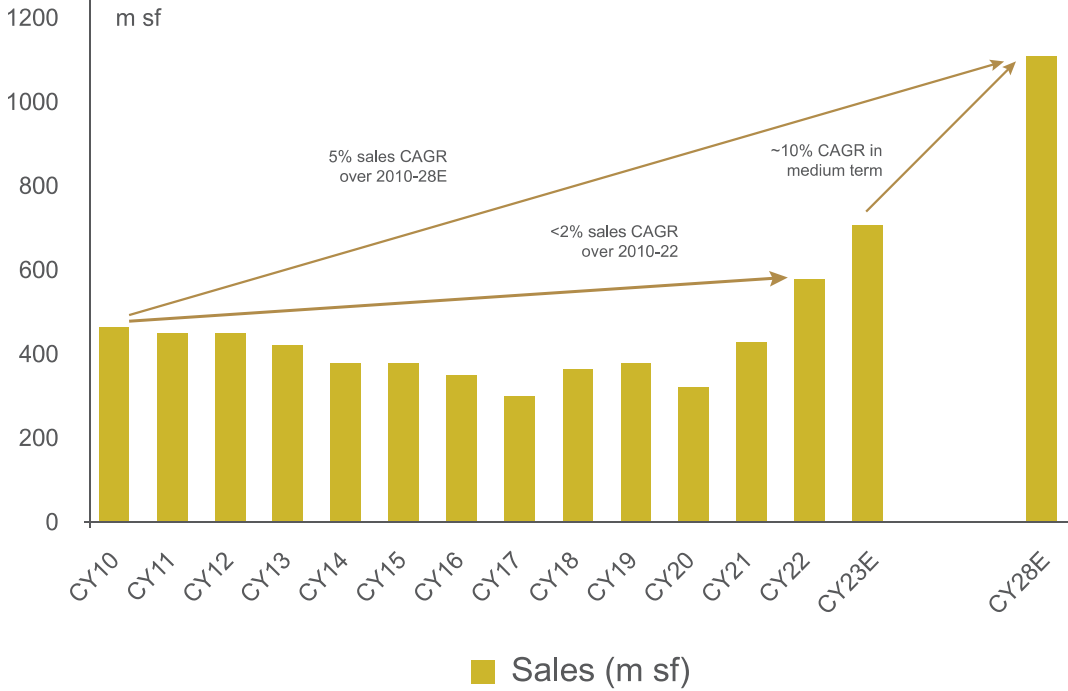


# Robust Real Estate activity to propel demand for Building Materials

Unsold Inventory



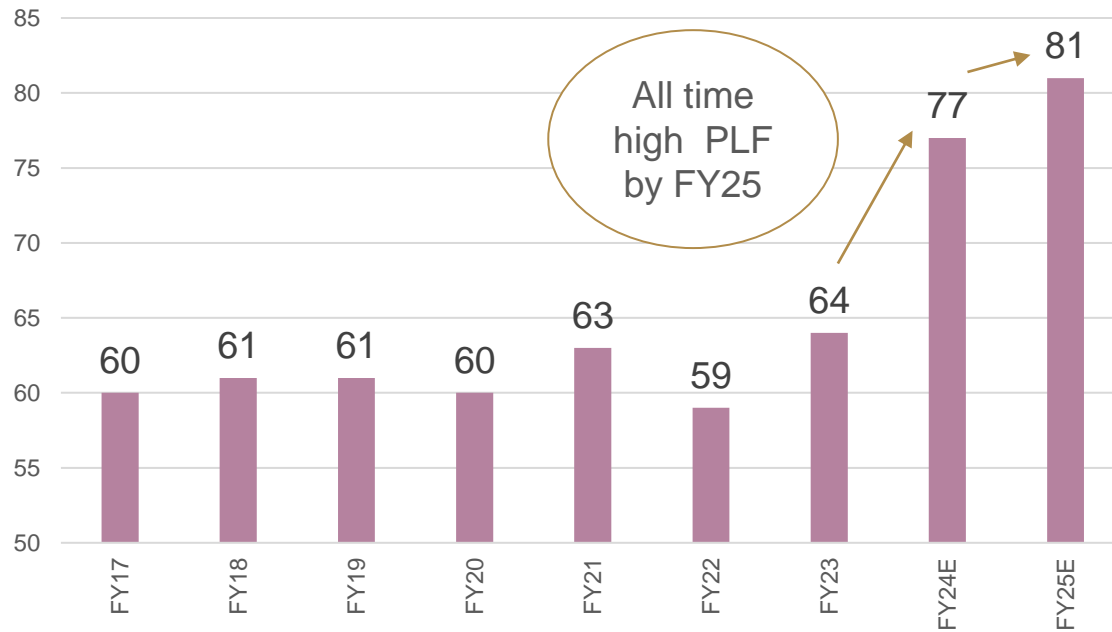
Top 7 Cities Sales



Real estate sales have galloped since Covid backed by sharp decline of unsold inventory

# Power Sector: Demand growth to surprise positively

Thermal Power Plant Load Factor



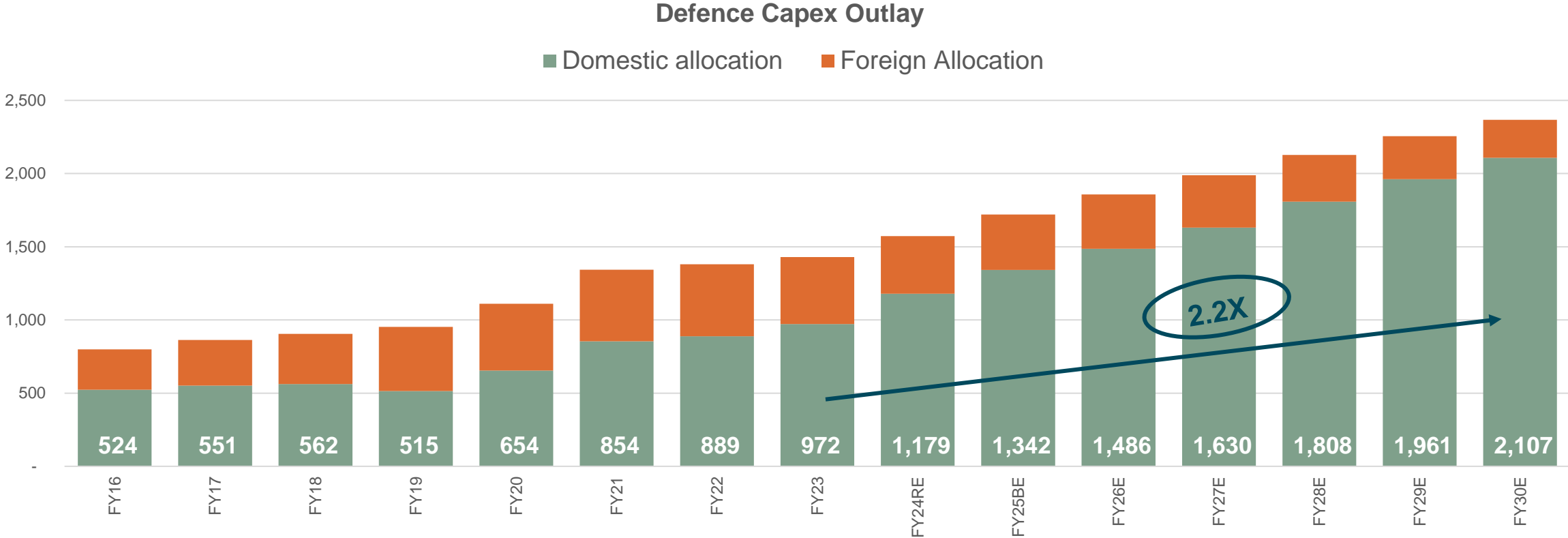
Source: Jefferies, ASK IM Research

	Installed capacity (GW)			(Rs '000 crs)
	Oct-23	Needed by FY32	Capacity to be added	Opportunity size
Coal	214	260	88	600
Solar	72	365	293	1,172
Wind	44	122	78	390
Nuclear	7	20	13	169
Hydro	42	60	18	252
Others	16	43	27	216
<b>Total</b>	<b>425</b>	<b>900</b>	<b>475</b>	<b>2,799</b>

Source: CEA, ASK IM Research

Thermal Power Plant utilization is expected to peak by FY25, led by increase in power demand. There is need for further capacity installation looking ahead which creates a large opportunity size

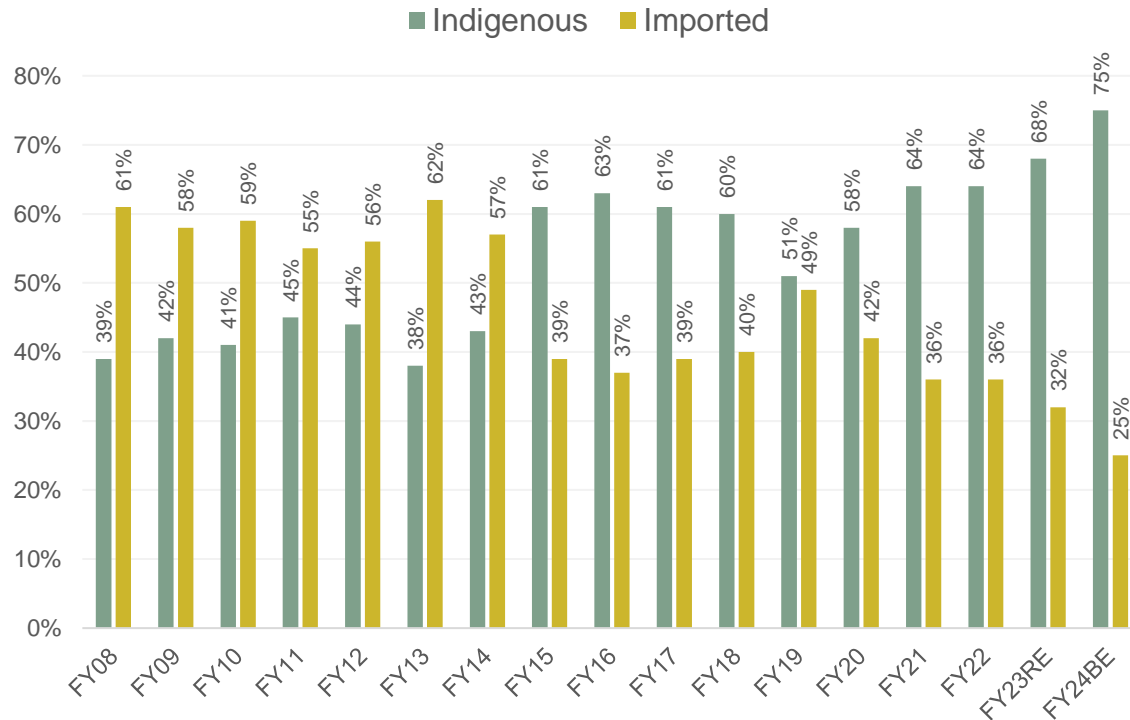
# Increasing capex in Defence sector



There has been a steady rise in India’s capex in Defence, expected to grow in sync with nominal GDP growth rates in years ahead with a steady rise in domestic allocation from 68% to 89%.

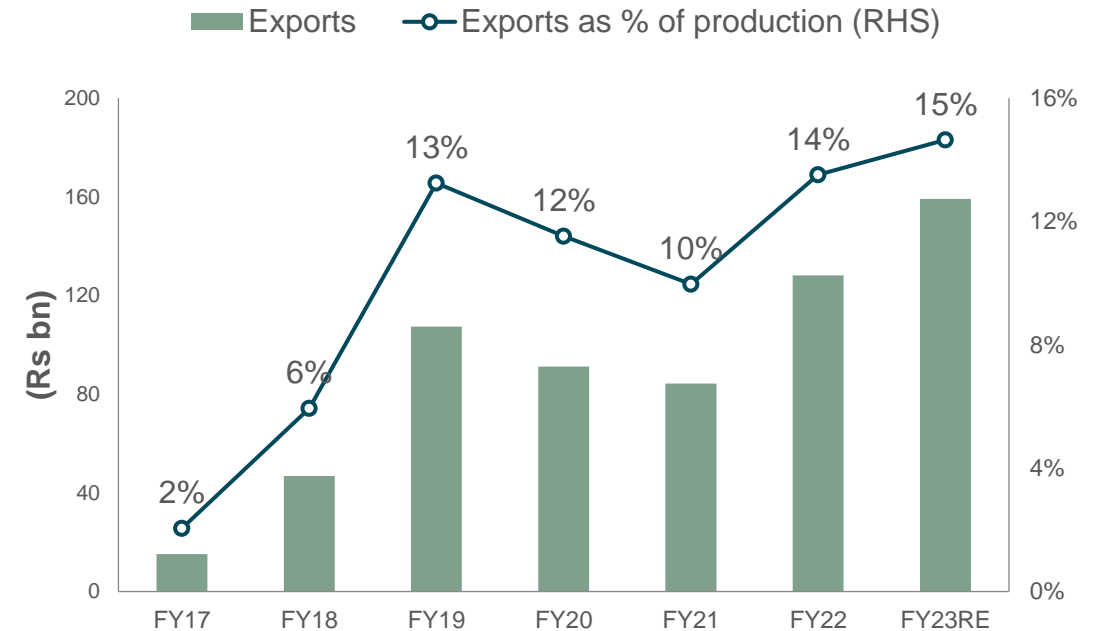
# Defence sector: Focus on Import substitution & Export Growth

Ratio of Capital Procurement



Source: Phillip Capital, ASK IM Research

Defence Exports as % of production has increased from 2% to 15% from FY17 to FY23

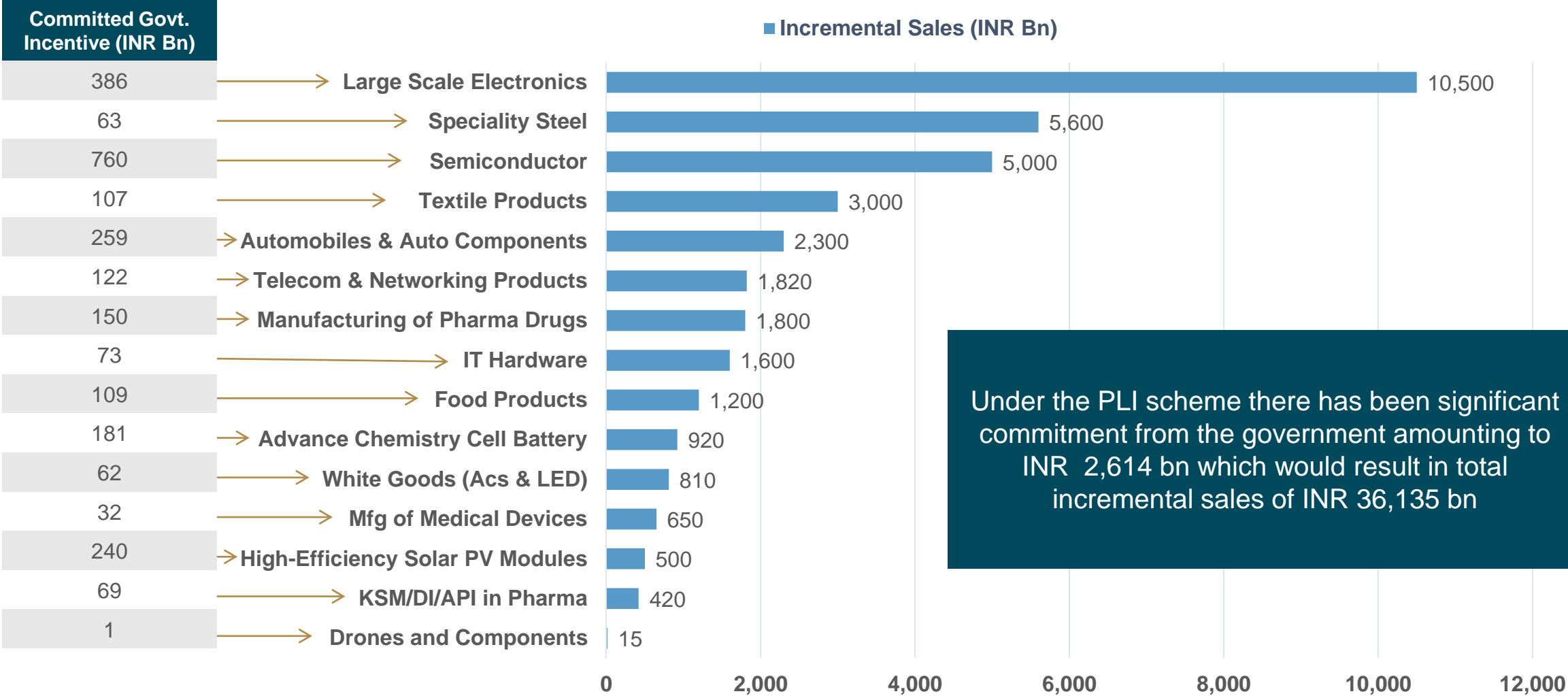


Source: Ministry of Defence, ASK IM Research

Domestic sourcing has been rising, complemented by rising exports; driving growth for the sector



# PLI Scheme - Incentive to private sector to adopt “Make in India”



# Logistics: Shift from Unorganized to Organized

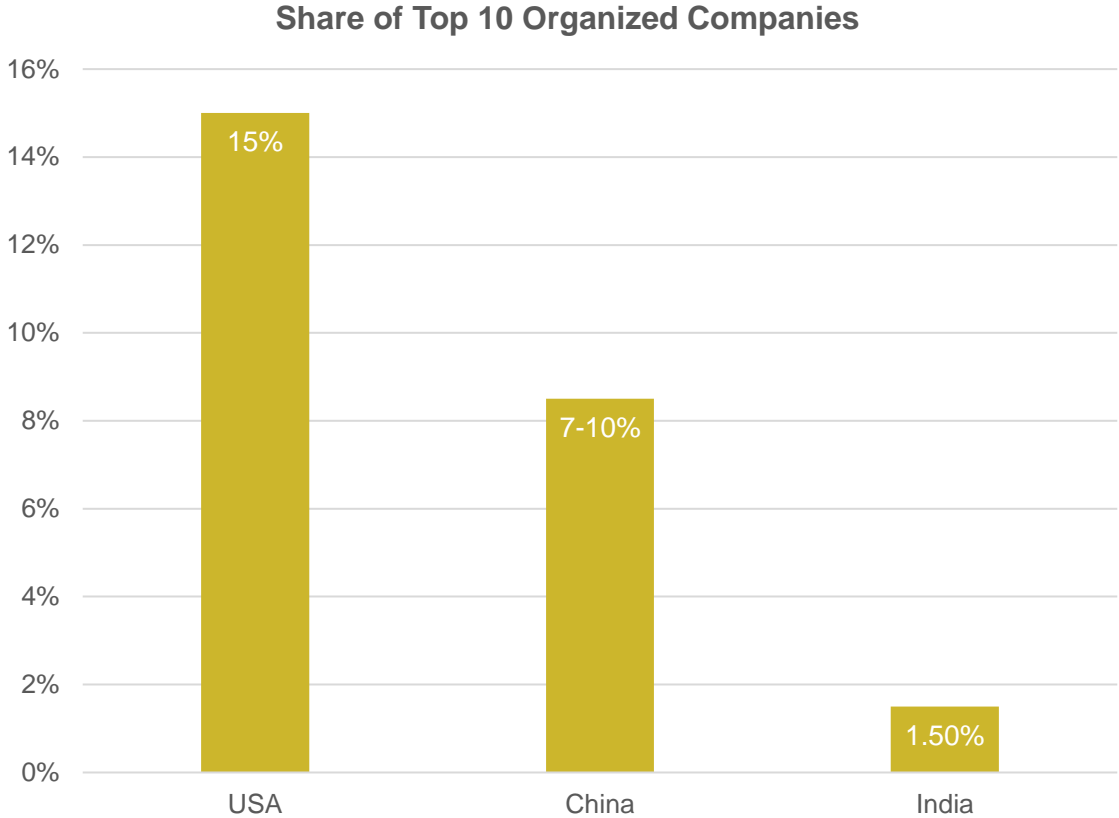
## Market Size of Logistics sector in India:

~ Rs 16,284bn | ~ Rs 27,000bn  
 2024 | Expected by 2026

## Share of organized players:

~ 1.5% | 7-10% | 15%  
 India | China | US

## Share of organized company in logistics:



- Over medium term, strong economic tailwinds, technology-led logistics companies, could lead to low-cost and reliable logistics services
- As the economy grows, organized players could potentially grow faster than estimated to achieve more than estimated 10-15% market share by FY26
- Government focus (PM Gati Shakti, National Logistics Policy, Bharatmala, Sagarmala, UDAN, etc)

# Biography



**Bharat  
Shah**

**Executive  
Director**

- Bharat Shah holds a Bachelor's degree in Commerce from the University of Bombay and a Post-Graduate Diploma in Management from the Indian Institute of Management, Calcutta
- He is also a member of the Institute of Chartered Accountants of India and a member of the Institute of Cost and Works Accountants of India
- He has been on the Board since 2008
- He has over 29 years of experience in the field of investment management and has previously worked at Birla Capital International AMC Limited and Asian Paints (India) Limited



**Sumit  
Jain**

**Deputy  
CIO**

- Sumit Jain has over 19 years of experience in Indian equity markets. He was actively involved in the conceptualization of the Indian Entrepreneur strategy and currently manages the Indian Entrepreneur Portfolio with an AUM of over USD2.5 billion. He has also been instrumental in building the proprietary valuation models at ASK
- In the past Sumit has worked with ICICI Prudential Life Insurance and First Global Securities in the past. He is a Post-Graduate in Management from Mumbai University. He first joined ASK in October 2005



**Sandip  
Bansal**

**Senior Portfolio  
Manager**

- Sandip Bansal has a work experience of over 20 years with more than 16 years in equity research
- Sandip joined ASK from SBI Life Insurance where he has been an Equity Fund Manager & was Head of Investment Research, leading research across asset classes. Sandip has also worked on the Sell-side with UBS Securities and Kotak Institutional Equities. Before that Sandip was a business consultant at KPMG and also has banking experience with Citibank
- Sandip is a Chartered Accountant, Company Secretary, and an MBA from IIM, Ahmedabad. Sandip joined ASK in July 2021

# Risk Factors and Disclaimer

## **Risk arising from the investment objective, investment approach and asset allocation:**

Equities as an asset class carry a higher risk in comparison to debt. While risk cannot be totally eliminated, it can be mitigated through a well-designed Investment Approach. ASK Investment Managers Portfolios seek to mitigate risk and deliver superior returns through research-based investing. However, this objective may not be fully achieved due to various reasons such as unfavorable market movements, misjudgment by portfolio manager, adverse political or economic developments etc. The PMS is run with an objective to achieve reasonable returns consistently. Given this background the investor investing in the PMS faces the following risks

### (i) Political, economic and / or related risks

The Asset Value of the portfolio and the liquidity of the shares may be affected by changes in government policy, taxation, interest rates, social and religious instability and political, economic or other developments in or affecting India.

### (ii) Industry risk

The value of shares of companies in a particular industry may be affected due to factors affecting the industry like changes in government policy on duties, FDI or a foreign country, which is a big market for the industry, may impose restrictions on import etc.

### (iii) The Indian Securities Market

The Indian stock markets in the past experienced substantial price volatility and no assurance can be given that such volatility will not occur in future. Actual market trend may be in variance with anticipated trends hence, the decisions of the Portfolio Manager may not be always profitable.

### (iv) Liquidity Risk

Some stocks that the investor might be invested in might not be highly liquid. Though it will be the PMS service providers endeavour to restrict investments in less liquid stocks to a lower limit, there is an exposure of liquidity risk to the investor.

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