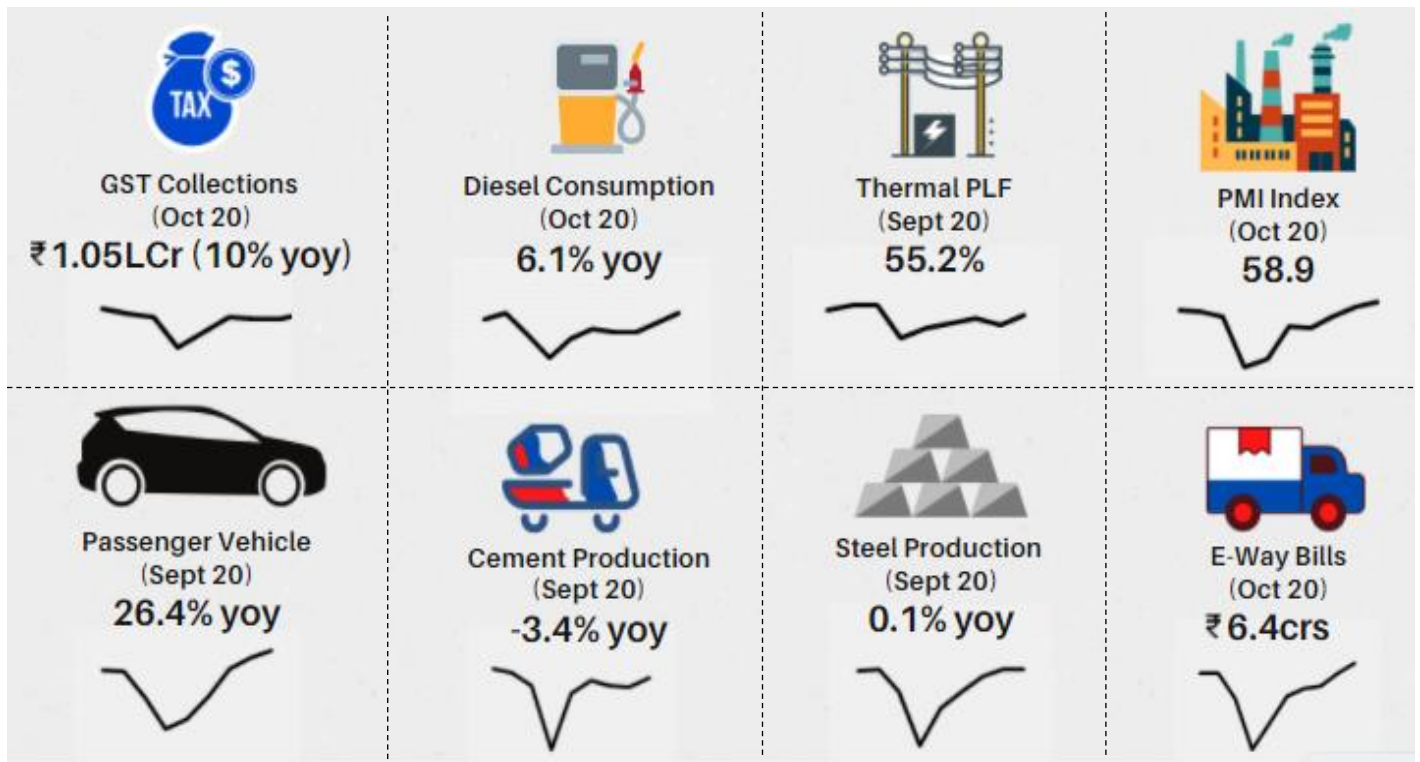


2QFY21: Positive Surprise by India Inc

Indian economy surprised positively contrary to extreme pessimism during early days of Covid-19. The economy witnessed significant improvement in high-frequency data indicators like GST collection, diesel consumption, power consumption, e-way bills registered positive yoy growth in Oct20. While it is difficult to gauge the extent of pent-up demand, we understand that economy is coming back to normalcy. Normal monsoon helped Rural India to remain strong compared to urban India which got impacted severely due to lockdowns. RBI and government also took several steps to improve the liquidity in the system.

Fig1: High-Frequency Economic Indicators



Source: AAA Research, Bloomberg.

Note: Charts are from Jan20 to Sept20

2QFY21: A big positive surprise

Corporate India faced multiple unprecedented challenges during the pandemic period - changes in consumer behaviour, availability of labour/material, shipment of products/services, access to finance etc. Corporate India passed this testing time with flying colours. Swift changes – faster & flatter cost structures, revamp of supply chains, consumer service at the doorstep – resulted in significant positive surprise on corporate earnings compared to D-street estimates.

In Q2FY21, nearly 154 non-bank companies (m-cap weightage 47%) in BSE 500 index reported results till Oct end. Despite the challenging business conditions, 55% of this universe reported revenue growth and 68% reported EBITDA growth for Q2FY21 quarter (Fig2). The sharp focus on cost resulted in many corporate reporting positive EBITDA growth despite de-growth in revenue (40% of this universe) – contrary to the general belief that de-growth in revenue means disproportionate de-growth in EBITDA. On qoq (sequential basis), the improvement was significant as can be seen in Fig3.

Fig2: BSE500 2QFY21 performance (ex-banking)

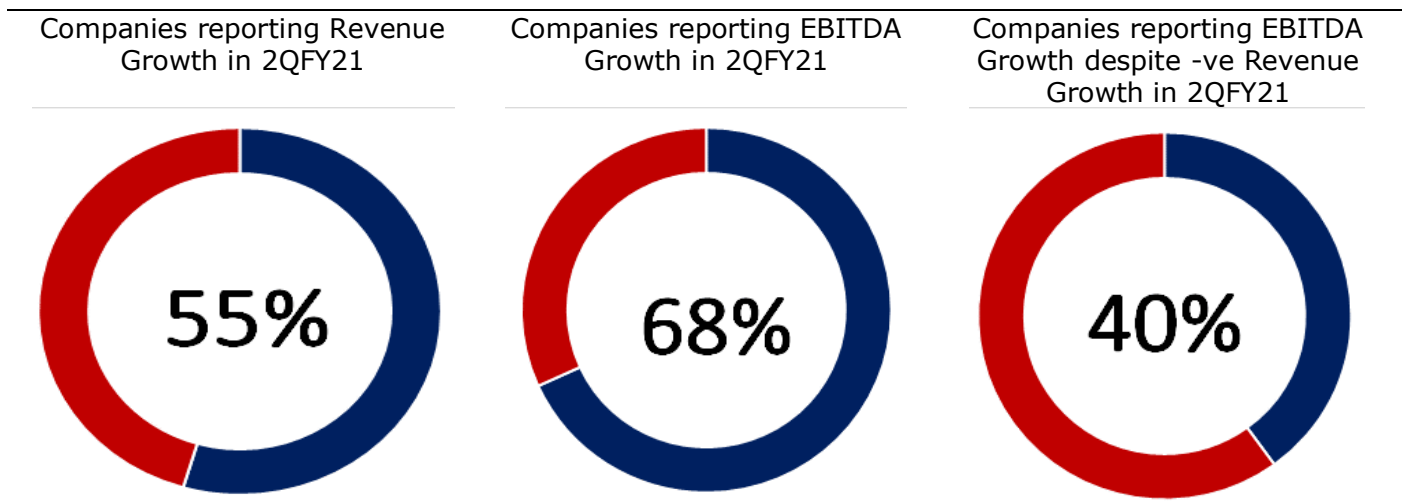
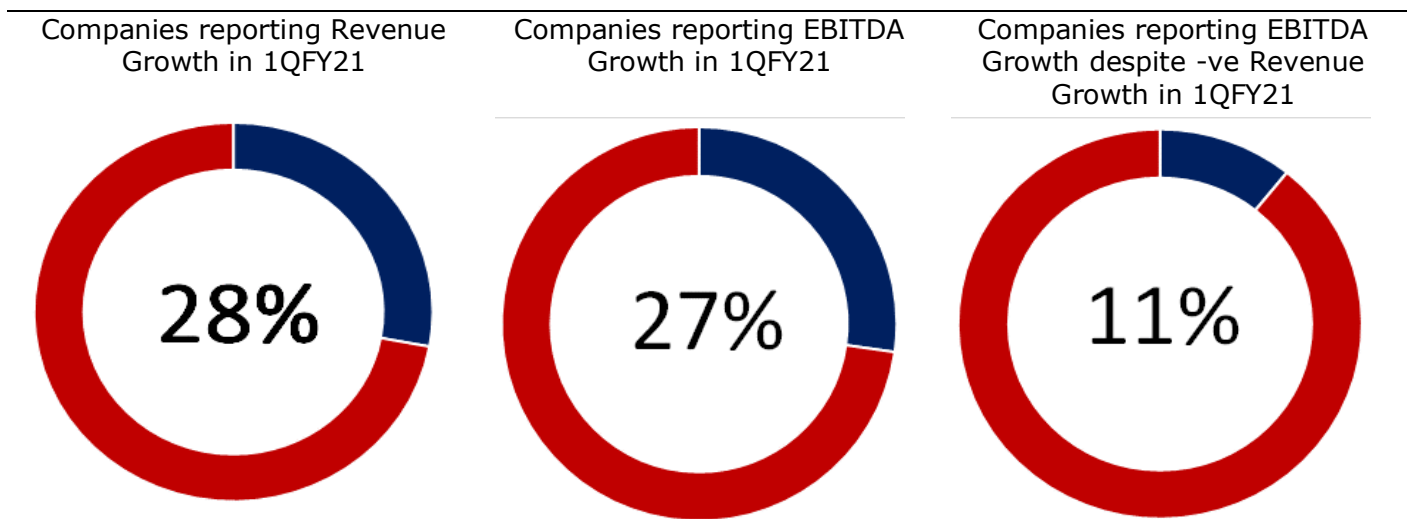


Fig3: BSE500 1QFY21 performance (ex-banking)

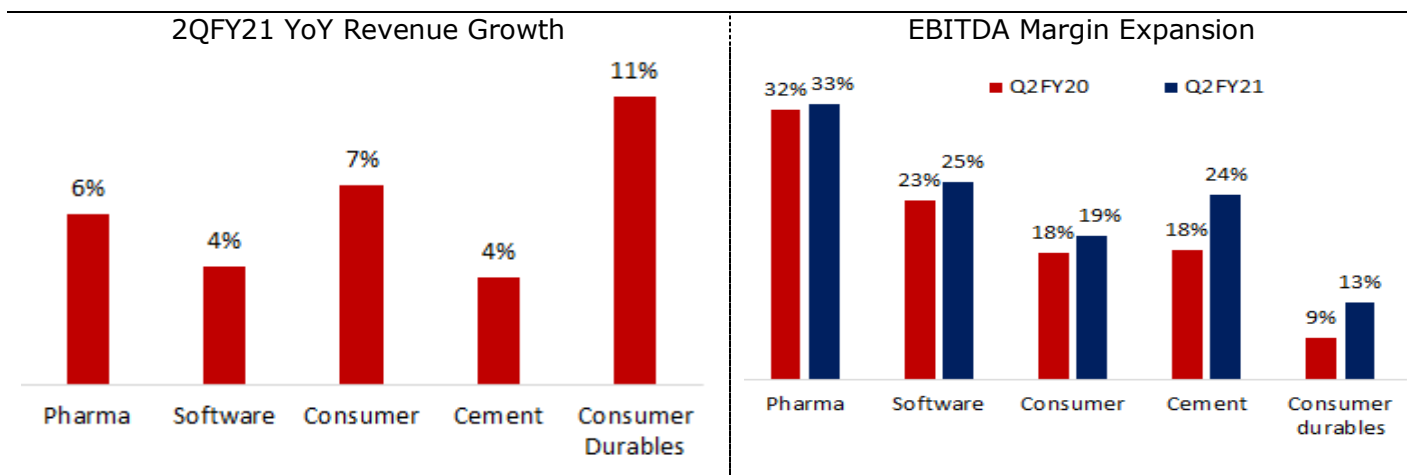


Source: AAA Research, Ace Equity

(Note: Universe comprises of companies which have declared results for Q2FY21 till 31st Oct 2020. Performance for 1Q and 2QFY21 is for the same universe)

These 154 companies reported 7.5% yoy decline in revenue but 5.5% yoy growth in EBITDA in Q2FY21 (vs 32% yoy revenue and 40% yoy EBITDA de-growth in Q1FY21). The performance was good across sectors including Pharma, Software, Consumer, Cement and Consumer Durables in both revenue and EBITDA.

Fig4: 2QFY21 Sectoral trends



Source: AAA Research, Ace Equity

2QFY21 Corporate Leaders Commentary

HDFC bank: "We are almost at around 90% monthly pre-COVID levels..."

Hindustan Unilever: "...Our domestic consumer business in September quarter '20 grew by 3% with a positive UVG of 1%. Within this construct, 80% of our business which comprises of health, hygiene and nutrition actually did well with 10% USG..."

Ultratech Cement: "...What was thought to be a pent-up demand actually has sustained and strengthened over the past few months. Good monsoons are all helping the rural markets grow..... Urban demand also is however slowly and surprisingly coming back ... Housing demand is definitely showing green shoots..."

AAAPMS Score Card

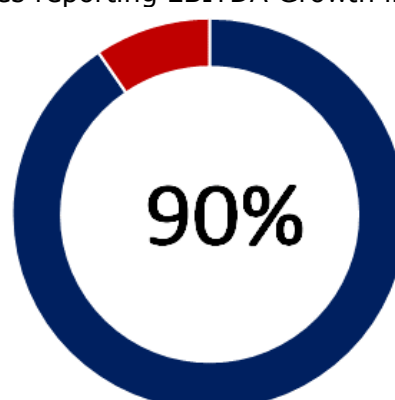
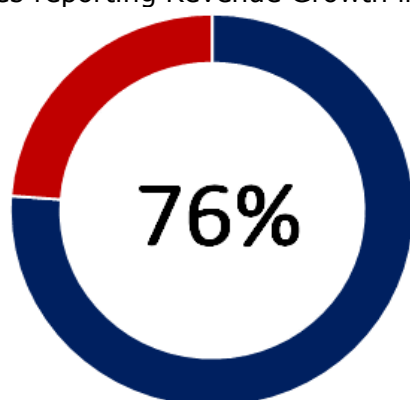
AAAPMS portfolio companies demonstrated leadership, agility, and resilience during the pandemic crisis. Innovative ways to reach consumer helped them to gain market share. Rigorous cost control enabled them to deliver improvement in profitability. Zero/low leverage – the hallmark of resilience allowed them to strengthen their competitive edge.

In our portfolio, nearly 40% of companies (by weight ex-banking) reported Q2FY21 results. 76% of this universe reported positive revenue growth and 90% of this universe reported positive operating profit growth (Fig5)– significantly better than 55% and 68% for the broader universe, respectively. Our banking holdings also did exceedingly well both in terms of growth as well as asset quality.

Fig5: AAA IOP Portfolio 2QFY21 performance (ex-banking)

Companies reporting Revenue Growth in 2QFY21

Companies reporting EBITDA Growth in 2QFY21



Source: AAA Research, Ace Equity

Market outlook

Barring a substantial market shock and implementation of broad-based lockdowns amid accelerating Covid-19 cases in the winter months – not our central case scenario – the economy will continue to grow steadily in 2021. US election outcome is round the corner that may add volatility to the market. We continue to remain focused on what we believe to be high quality companies that benefit from long-term trends, are well positioned in their respective market, have a strong business model that generates cash, and are run by a superior management team. We believe these features are essential to generating long-term returns and serve as protection when circumstances change.

AAA PMS Performance

Compounded Annual Returns (%)	1 Year	2 Year	3 Years	5 Years	10 Years	Since Inception*
AAA IOP PMS (Fixed Fee)	6.5%	5.9%	0.3%	8.6%	14.6%	16.9%
BSE 500 Index	-1.1%	4.7%	1.7%	7.4%	6.6%	7.9%
BSE Midcap Index	0.3%	1.0%	-3.5%	6.3%	6.0%	7.9%
BSE Smallcap Index	9.8%	2.4%	-5.4%	5.6%	3.5%	6.4%
Nifty	-2.0%	5.9%	4.0 %	7.6%	6.8%	7.8%
SENSEX	-1.3%	7.2%	6.1%	8.2%	7.1%	8.0%

*(23 Nov 2009 – 31 Oct 2020) (Performance after all expenses & fixed management fees)

Note: Returns of Individual clients may differ depending on time of entry in the Strategy. Past Performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. Performance related information provided herein is not verified by SEBI.

For further details please contact: investorservices@alfaccurate.com; www.alfaccurate.com

Equity Investments are subject to market risks , read all plan related documents carefully.

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