SKG
INVESTMENTS & ADVISORY

SKG India Value Fund

India's first SME focused PMS

AS WE GET STARTED, we want to give you a look forward into where we're going together.

About SKG

At a glance
Our Journey
Our Team

SKG
INVESTMENTS & ADVISORY

19 YEARS EXPERIENCE
Established in 2005

Top 10 Wealth Management Firms
Award Winner in 2020 & 2021

500 Cr +
Asset Under Management

25000 Cr +
Combined Market Cap of IB Clients

About SKG – Our Journey

SKG INVESTMENTS & ADVISORY

2005 - 2010

- SKG opened its doors on 12th Feb 2005, providing Equity Broking Services in partnership with Sykes & Ray Equities (I) Ltd (SRE)
- We shortly expanded to having 8 offices in Delhi-NCR, and started Commodities and Mutual Funds investments.
- By 2010, SKG had 900+ clients engaged in 4 different exchanges and a monthly transaction book of Rs. 1000 crore.

2010 - 2015

- Launch of Wealth Management Desk for HNI clients.
- Opened up an office in Dubai to facilitate overseas investments for clients through LRS.
- Acquired an NBFC that engaged in Margin Funding and financing to retail investors.

2015 - 2020

- Established a Merchant Banking division to list SMEs on NSE & BSE.
- Listed 13 companies in 2 years, and achieved maximum over subscription (273 times) for an SME IPO with Salasar Techno Engineering.
- A firm believed in the India growth story, we engaged deeper with SMEs through IPO financing, underwriting and fund raising.

2020

- We formalized our long standing practice of Family Office services to better serve our clients.
- We introduced a PMS to provide our clients with unique investment opportunities in Small & Midcap Companies.
- We created an Derivatives desk to deploy funds in Options Arbitrage seeking risk-adjusted returns.
- SKG is now an experienced Investment Banking firm raising funds through Capital Markets and Institutions.

About SKG – Our Team

Vikas Gupta
Managing Director
Exp: 22+ yrs
Investment Banking

Kush Gupta
Director
Exp: 16+ yrs
Wealth & Asset

Luv Gupta
Director
Exp: 18+ yrs
Trading Desk

Nages Karri
Exp: 23+ yrs
Offshore BD
Transaction Advisory

K. Jyothi
Exp: 13+ yrs
CSR
Non - Profit

Ashwath Kapur
Exp: 14+ yrs
Real Estate
Family Office

Akshay Sapra
Exp: 17+ yrs
Legal

Sachin Sharma
Exp: 9+ yrs
Investment Banking
Senior Analyst

Vivek Aggarwal
Exp: 27+ yrs
Compliance

Ashish Joshi
Exp: 7+ yrs
Research

Anup Dubey
Exp: 17+ yrs
Equities
Operations

Promila Ghosh
Exp: 6+ yrs
Client Service

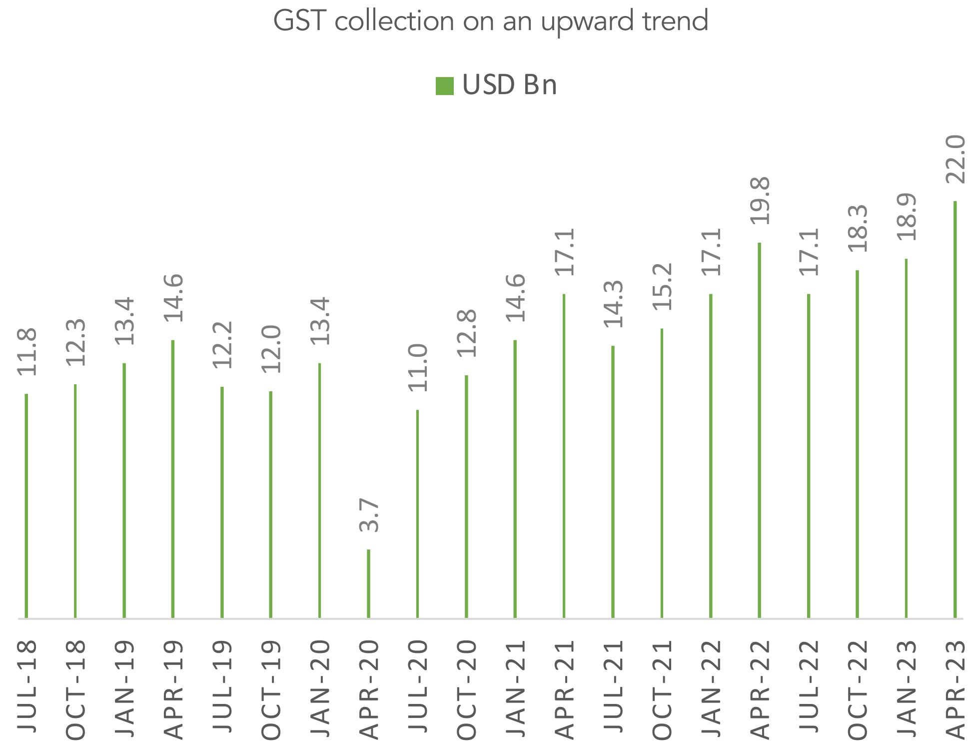
SKG
INVESTMENTS & ADVISORY

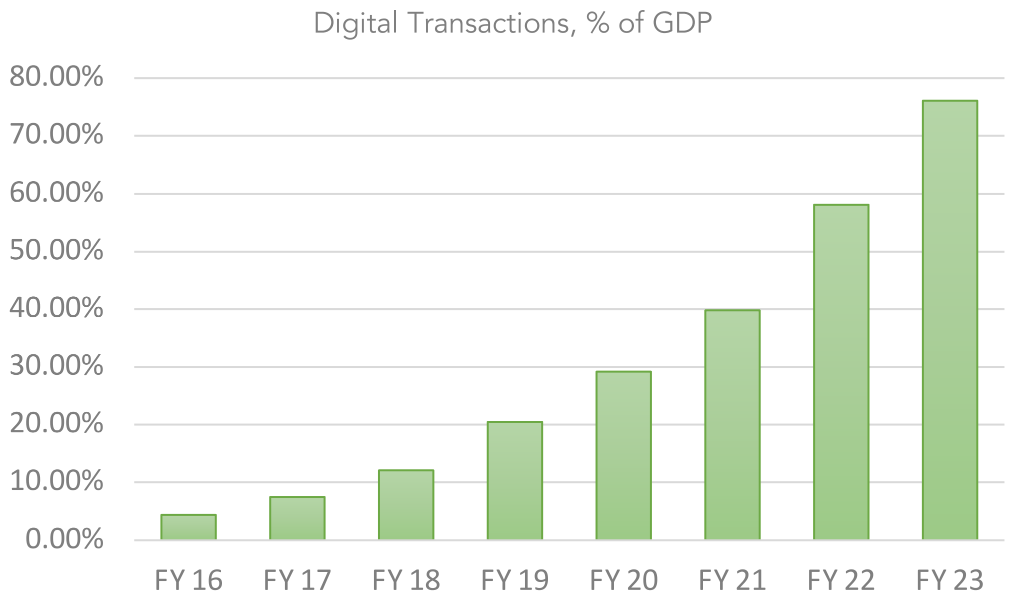
The India Opportunity

The India Opportunity – Positive Transformation

In past 7 years, India has become one of the fastest growing economies in the world, surpassing UK to become the 5th largest economy. Key reforms in the country have paved the way for a new, robust India that is ready for its next leap. India thus makes a strong ***Case for Positive transformation.***

Formalization of Economy

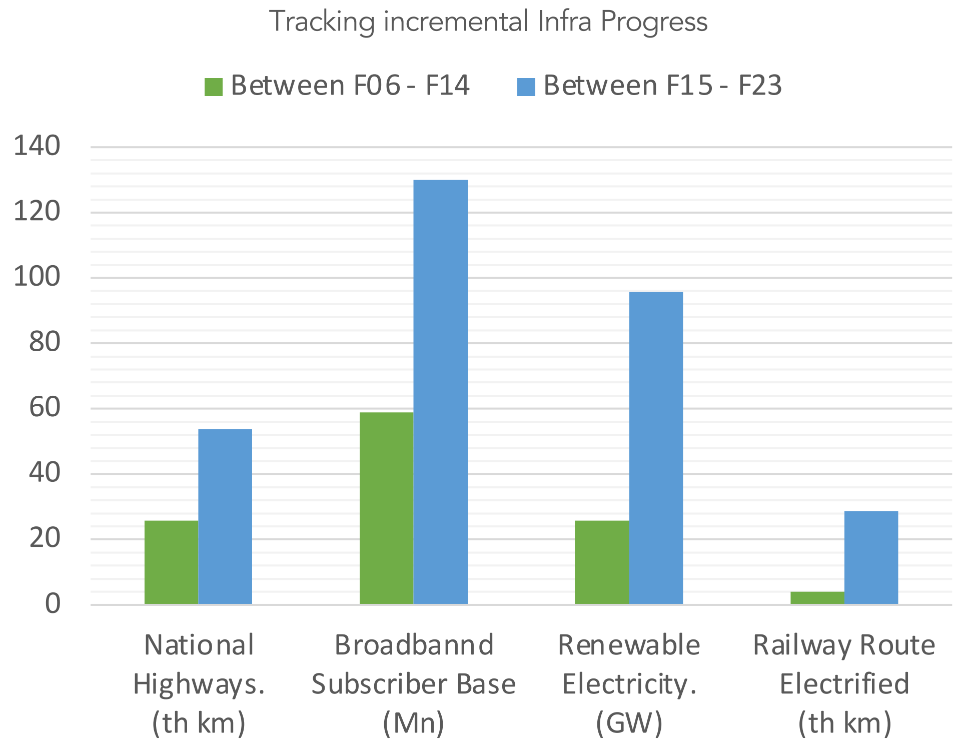




Source : Ministry of Finance, RBI, SKG Research

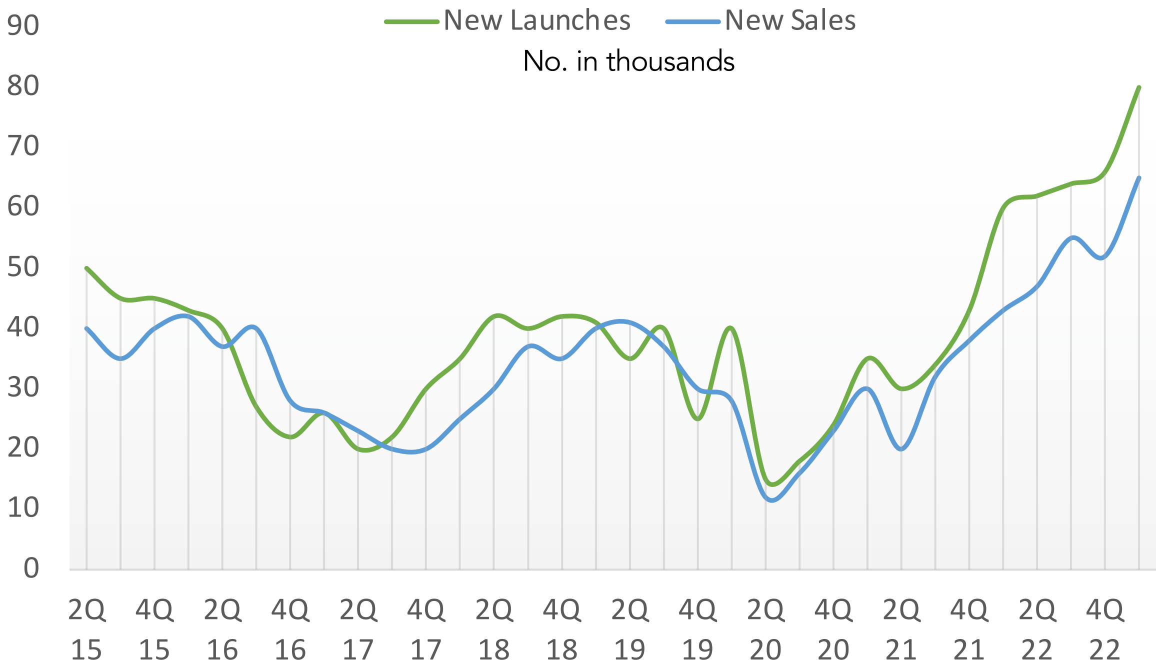
The India Opportunity – Positive Transformation

Progress in Infrastructure



Source : World Bank, Ministry of Transport & Highways. SKG Research

Real Estate Regulation Act

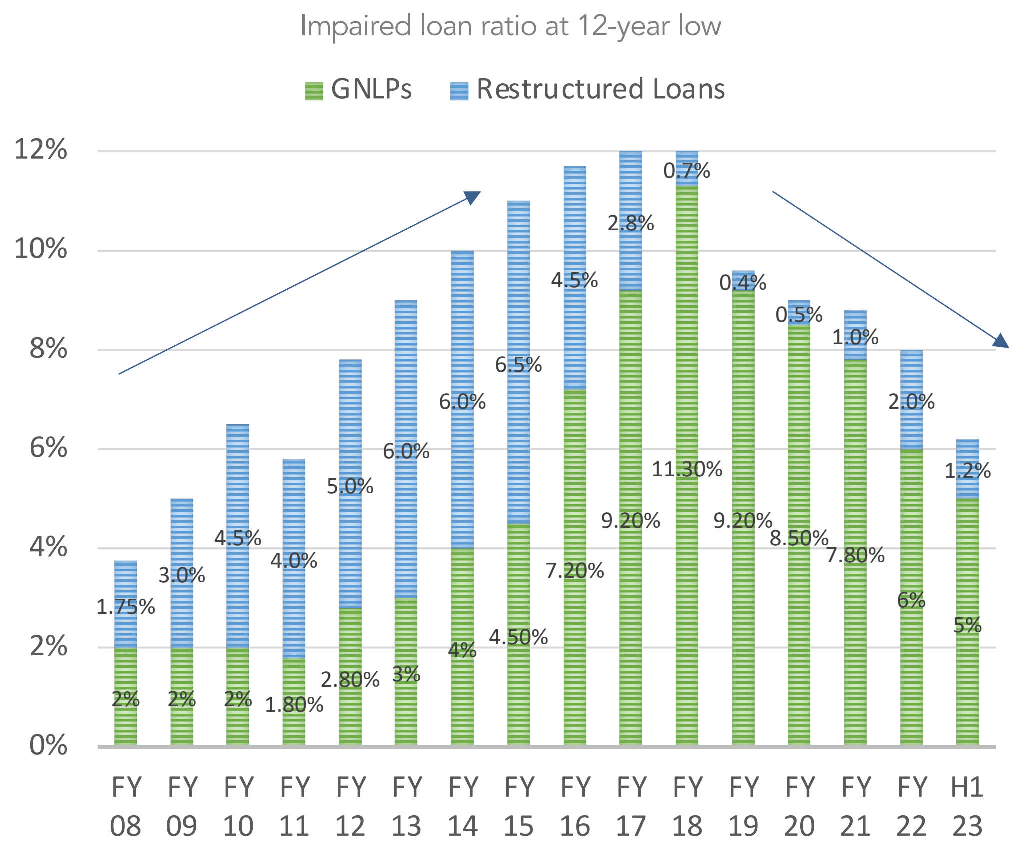


Source : JLL,SKG Research

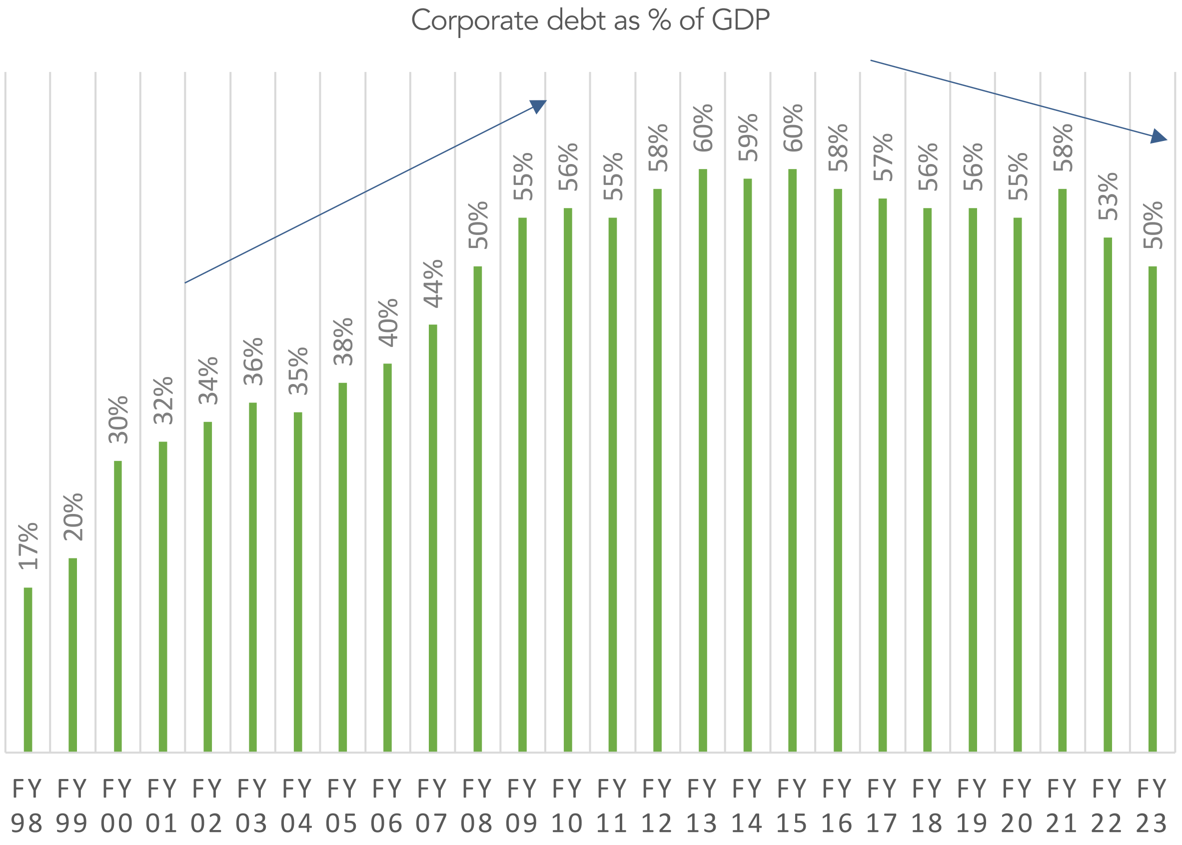
The India Opportunity – Positive Transformation

SKG
INVESTMENTS & ADVISORY

Insolvency & Bankruptcy Code



Insolvency & Bankruptcy Code

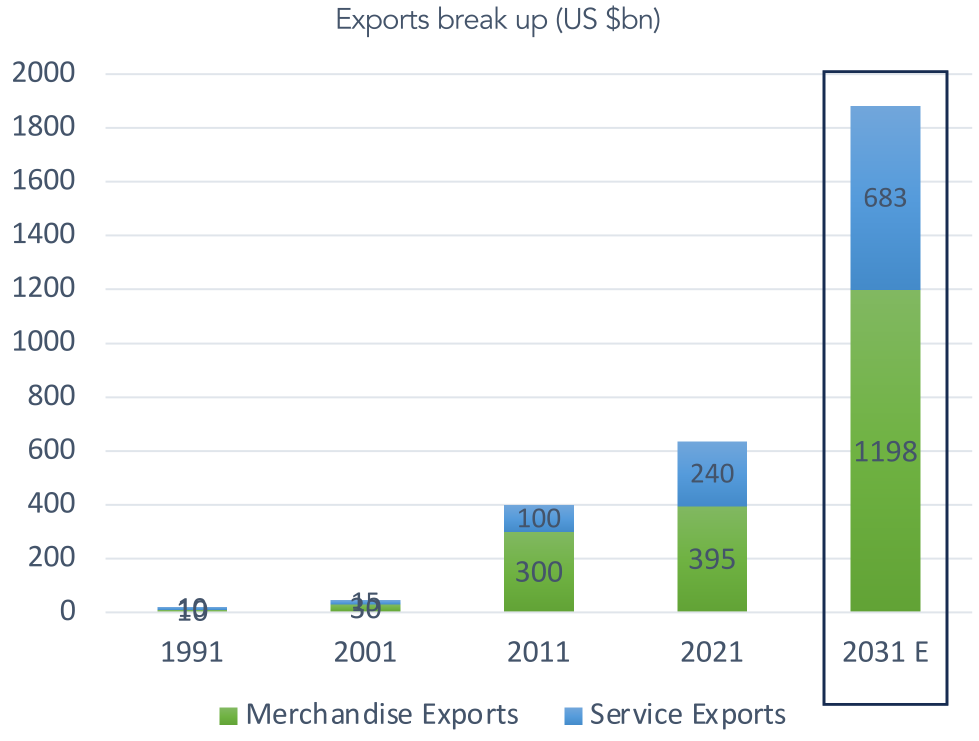


Source : CEIC, Morgan Stanley, SKG Research

The India Opportunity – Positive Transformation

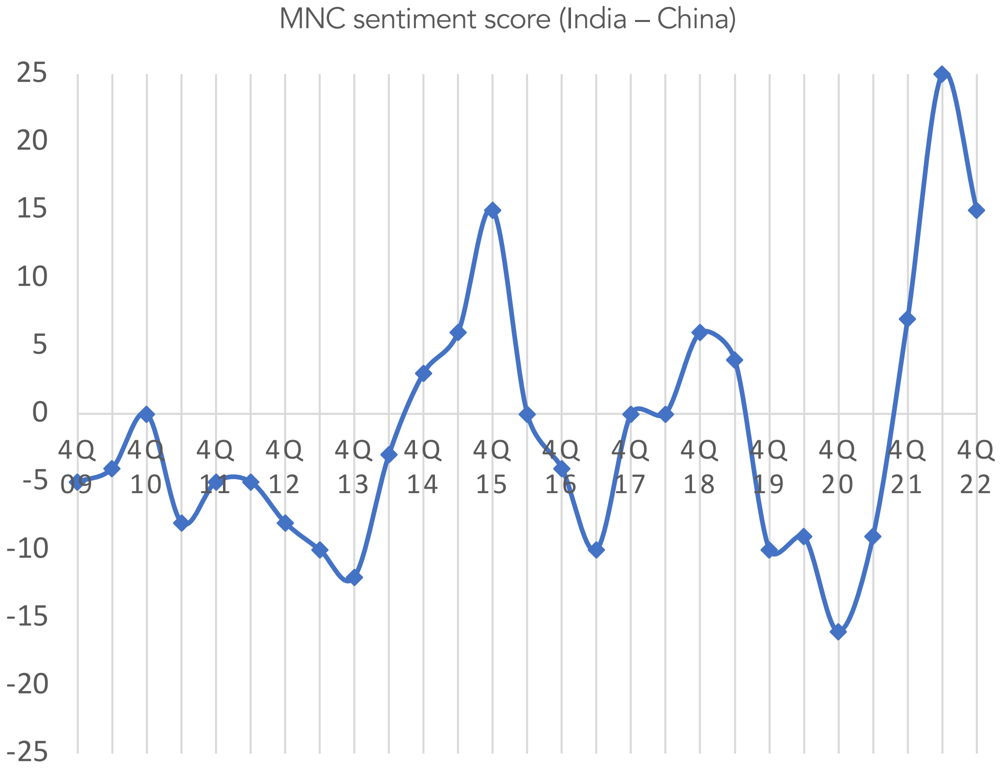
SKG INVESTMENTS & ADVISORY

Export Market Share



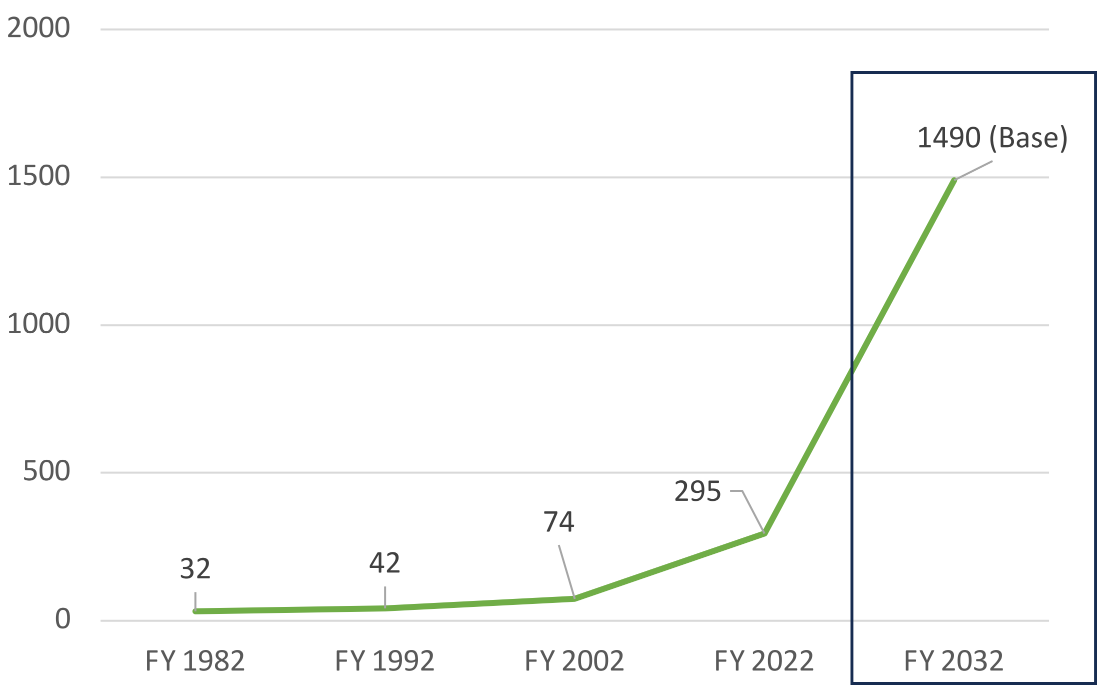
Source : CEIC, Morgan Stanley, SKG Research

MNC Sentiment



SKG INVESTMENTS & ADVISORY

Manufacturing



Source : CEIC, Morgan Stanley, SKG Research

PLI Manufacturing Commenced/Awarded	
	Pharma
	IT Hardware
	White Goods & LED
	Solar PV
	Telecom
	Food
	Auto & Auto Components

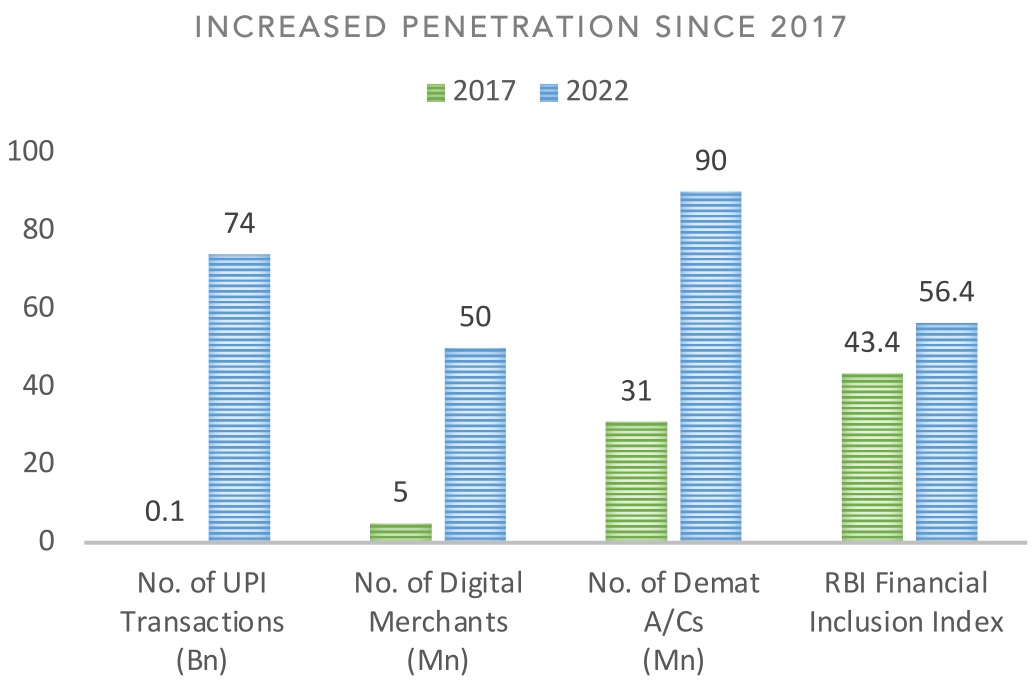
PLI Awarding Currently in Progress	
	Specialty Steel
	Textiles
	EV Battery
	Semi Conductors

Overall PLI Incentive Committed (Rs. tn)	Committed Capex (Rs. tn)
2.4	4.4

Source: Spark Capital, Investindia.gov.in, SKG Research

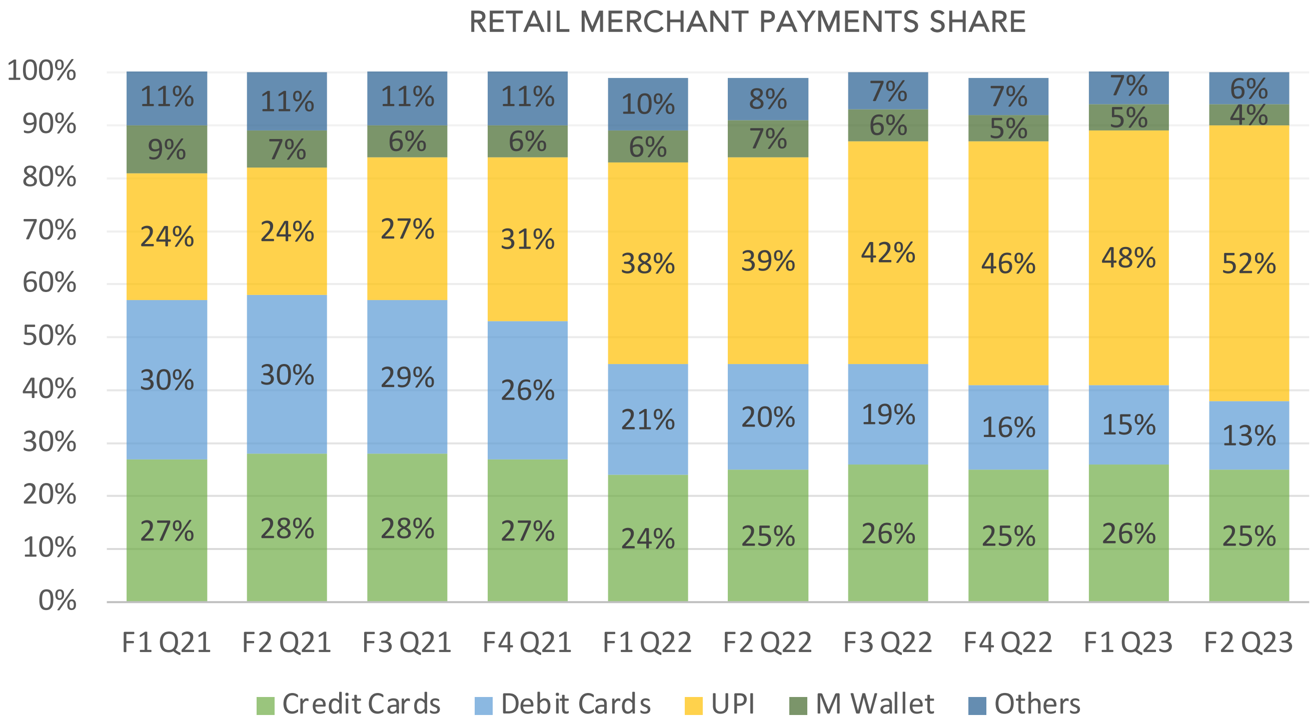
Financial Inclusion

The unique digital architecture in India has accelerated penetration in a number of financial services segments.



Source : RBI, Media Articles, SKG Research

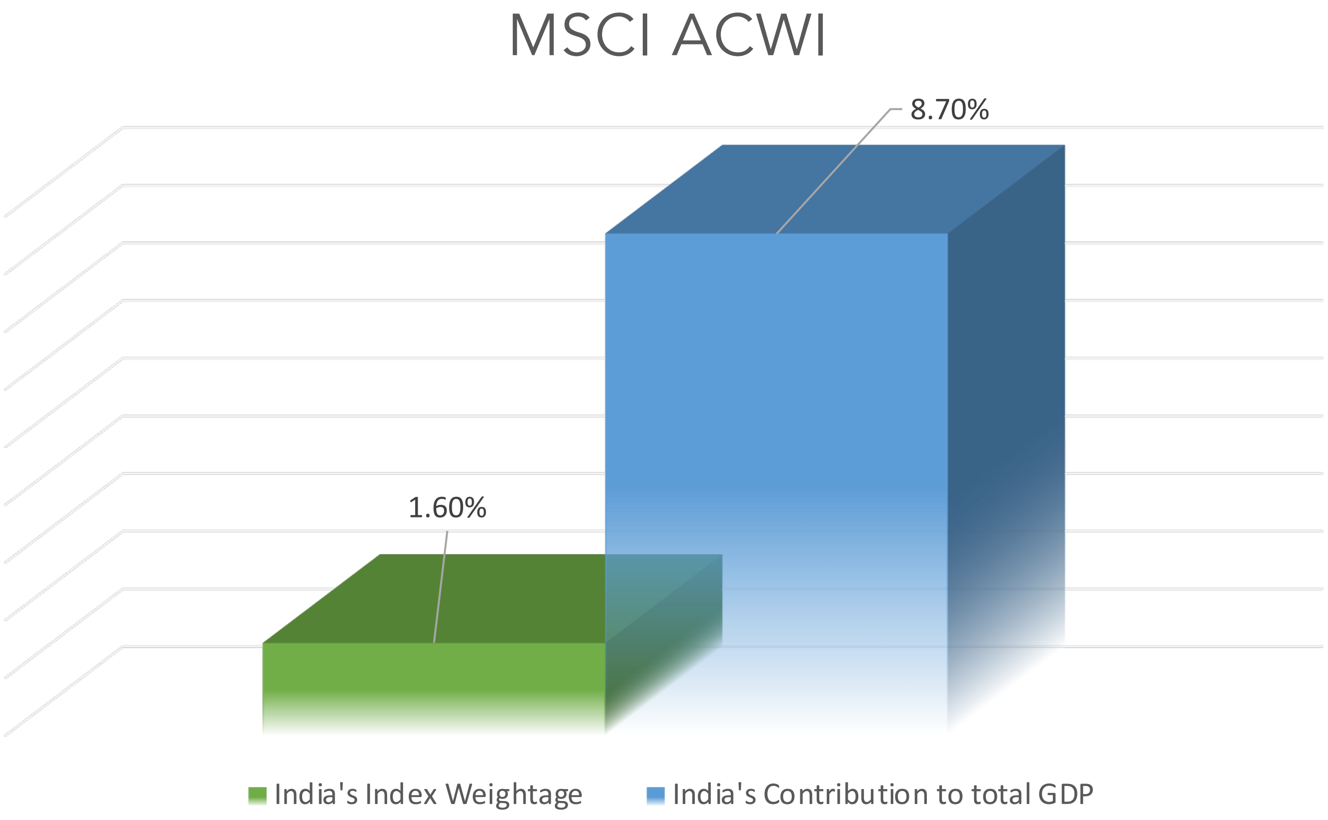
Share of merchant payments via UPI continues to rise – now at 52% of retail digital merchant payments in India.



Source: RBI, NPCI, SKG Research

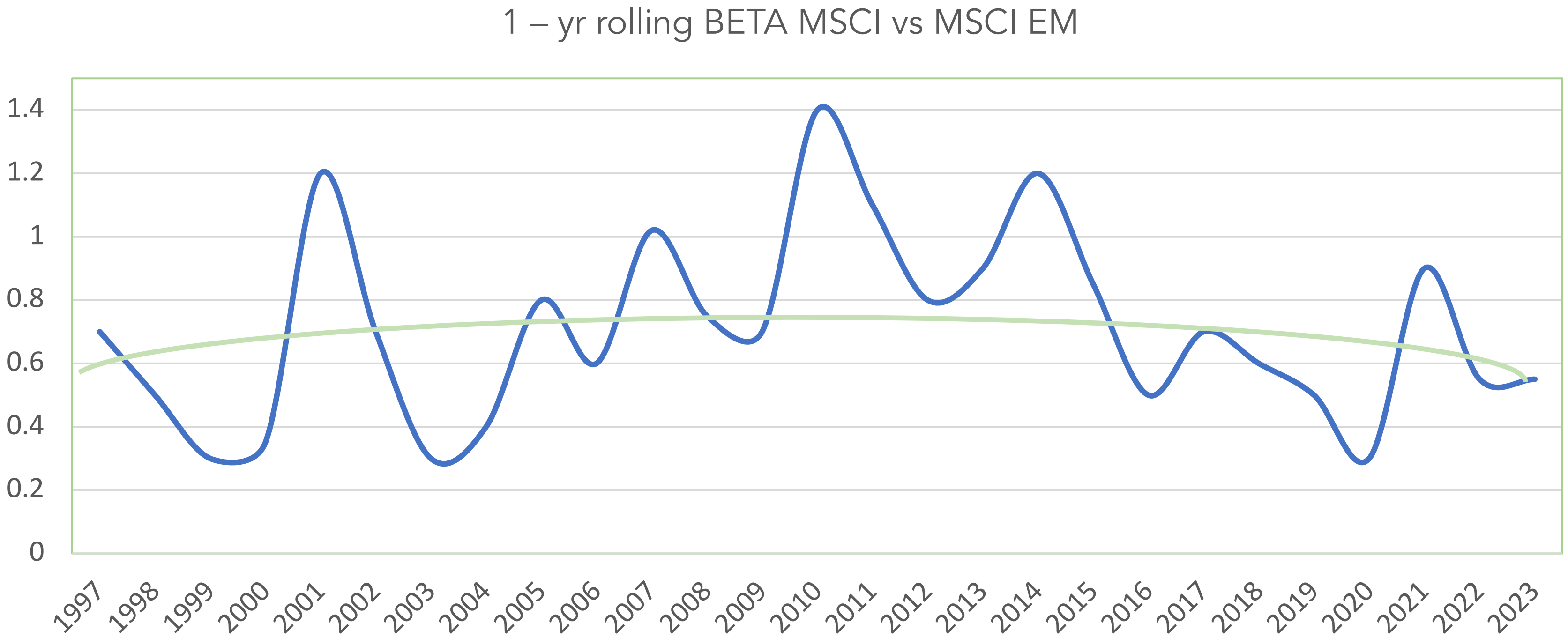
India is the fastest growing major economy but is under–represented in market indices relative to its current GDP.

Year	GDP ($ Trillion)	Rank
2017	2.6	7th
2019	2.8	6th
2021	3.2	6th
2023	3.7	5th



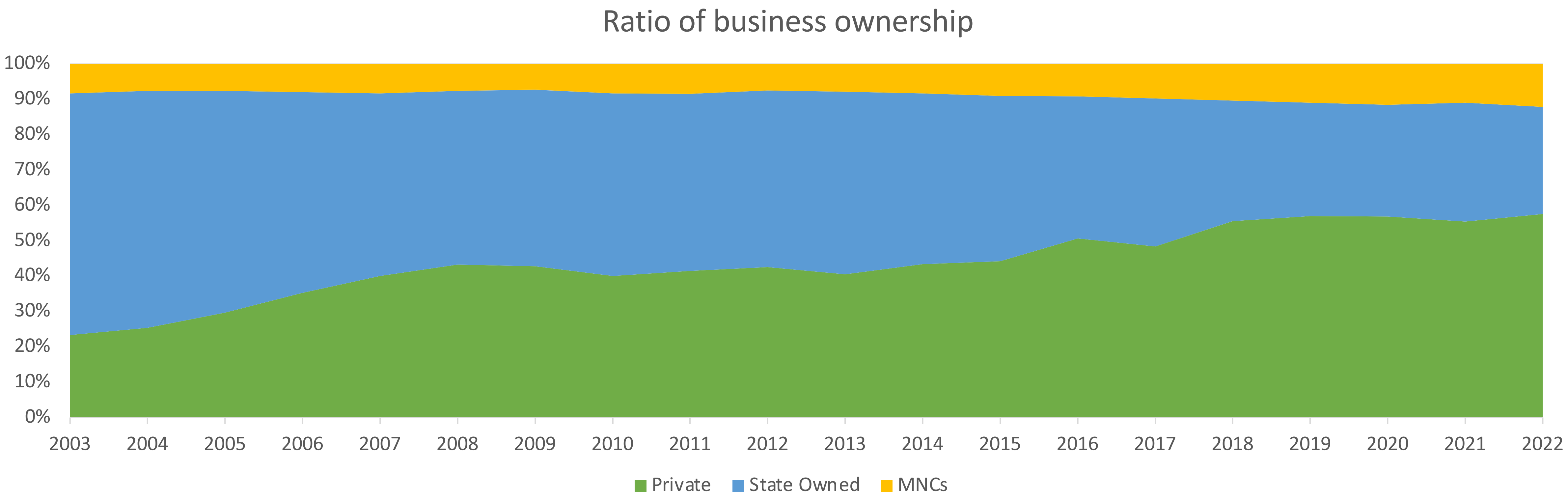
Source : www.msci.com
India's GDP adjusted for PPP

Indian stocks have become defensive: India's Low Beta



Source: RIMES, MSCI, SKG Research

Indian market is increasingly driven by entrepreneurs.



Source: Motilal Oswal, SKG Reseach

The India Opportunity – Relevance to Global Investors

SKG
INVESTMENTS & ADVISORY

India's frame of development is similar to that of China. Both economies have populations of 1.5 billion, and yet China's economy is about five times the size of India's. In the coming decade, as India's economy transforms, we think it will be increasingly relevant for global investors in the similar way that China is today.

US $ bn	China		India	
	2007	2011	2022	2031 E
Nominal GDP	3551	7549	3358	7771
GDP per capita	2688	5596	2393	5140
Private consumption	1292	2636	1987	4468
Investment (GCF)	1438	3523	1026	2681
Exports	1353	2100	674	1880

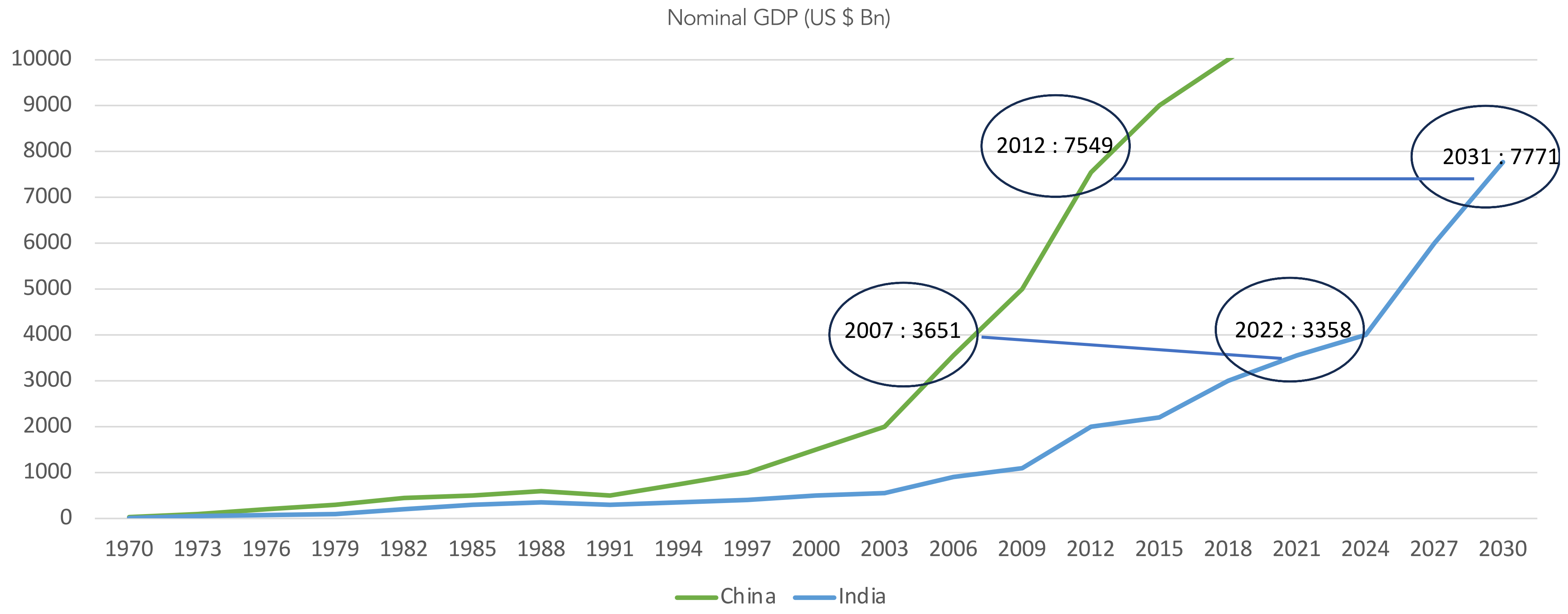
This context is important as India is emerging as a key anchor of Asian and global growth. Over 2022-23, India will contribute 28% and 22% of Asian and global GDP growth. India will be one of only three economies in the world which can generate more than US$400 bn in annual economic output growth from 2023 onward, and this will rise to more than US$500 bn from 2028.

Sources: CEIC, Morgan Stanley, SKG Research

The India Opportunity – Relevance to Global Investors

SKG INVESTMENTS & ADVISORY

India to emerge as a key driver to Asia and Global growth. Next decade will resemble like China in 2007-2011. India currently has a more open competitive landscape as compared to China, with fewer restrictions on FDI, including in the technology sector, which means MNCs are able to participate more actively in India's growth story.

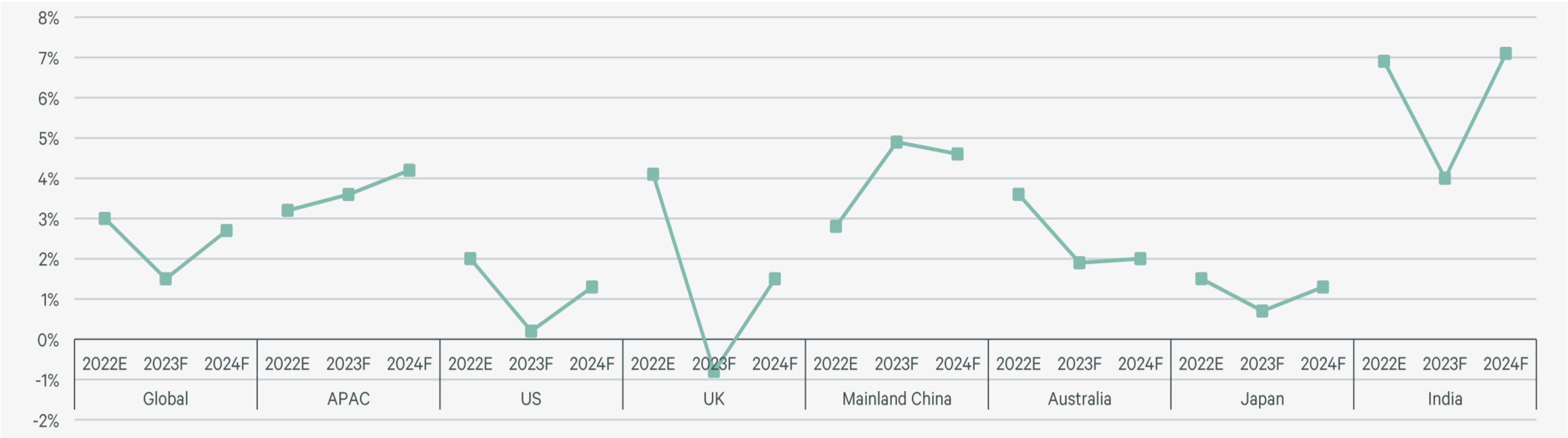


Sources: CEIC, Haver, SKG Research

The India Opportunity – Relevance to Global Investors

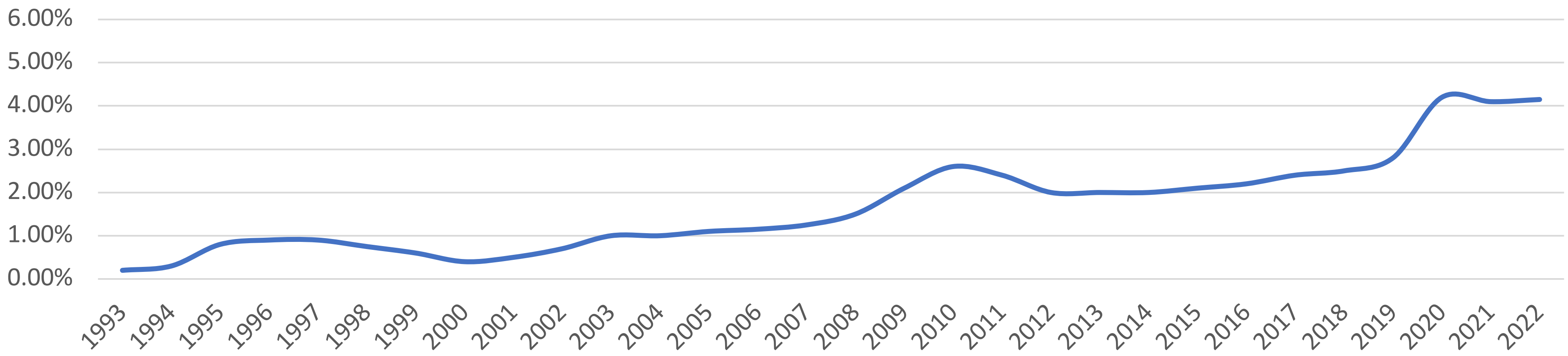
SKG INVESTMENTS & ADVISORY

GDP Forecast of Major economies



Sources: CBRE, SKG Research

India's Share of World FDI



Sources: UNCTAD,SKG Research

An Emerging but stable market

UNDERAPPRECIATED OPPORTUNITIES

Emerging market equities tend to trade at discounts versus their developed counterparts that, in our view, do not necessarily reflect the long-term potential of the asset class. In addition, a market that is both deep and relatively unexplored requires experienced investment teams to source hidden gems.

EXPOSURE TO INNOVATION AND DISRUPTION

Emerging markets are increasingly home to companies at the forefront of innovation and disruption, much of which is related to the social evolution and economic progress underway in emerging economies.

LONG-TERM GROWTH POTENTIAL

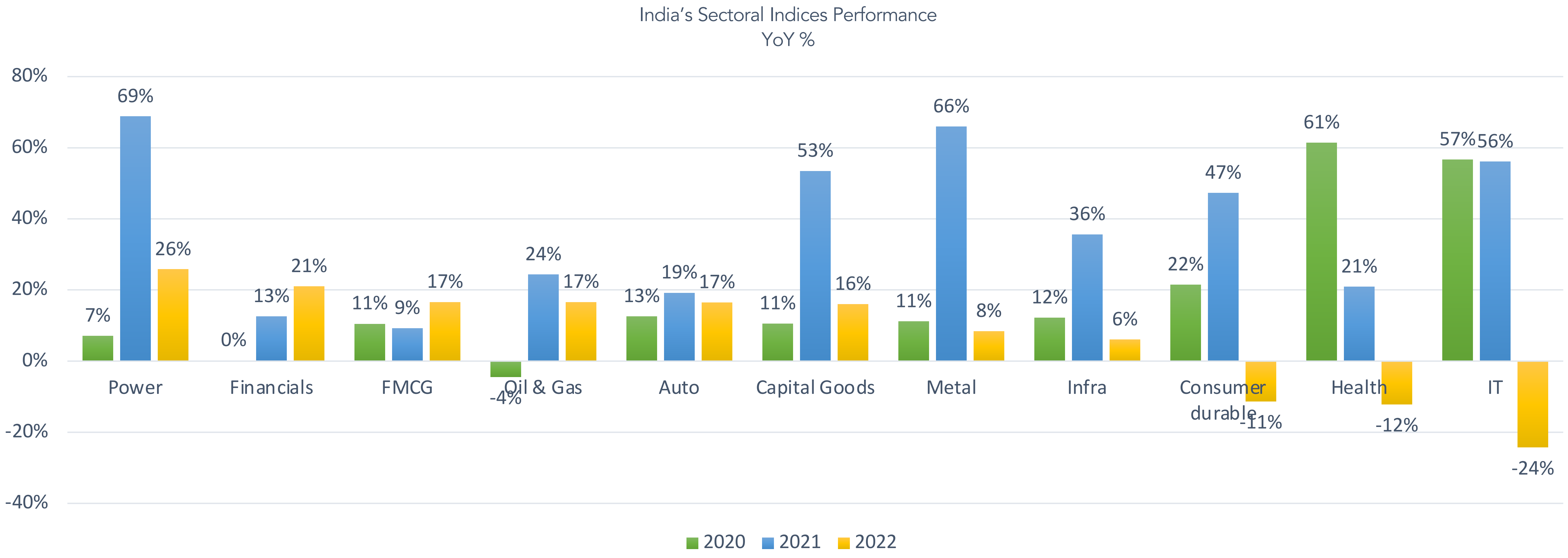
When it comes to the speed of economic development, we believe emerging markets are less efficient and less homogenous than their developed counterparts, thus creating powerful and persistent investment opportunities. However, due to the volatile and relatively opaque nature of these markets, identifying these opportunities can require a highly targeted approach, based on deep research of both the companies and structural growth drivers with which they are aligned.

Our View

Key Themes
Outlook
Risks

Our View– Key Themes

Most sectors did well in 2022 on the back of resilient domestic demand and formal sector gaining market share. Sectors liked IT and Healthcare which are closely linked to external demand lagged; consumer durables sector underperformed as profitability came under pressure due to high input prices. Utilities sector outperformed on better underlying demand-supply. Banking did well driven by improvement in credit offtake and NPA moderation.

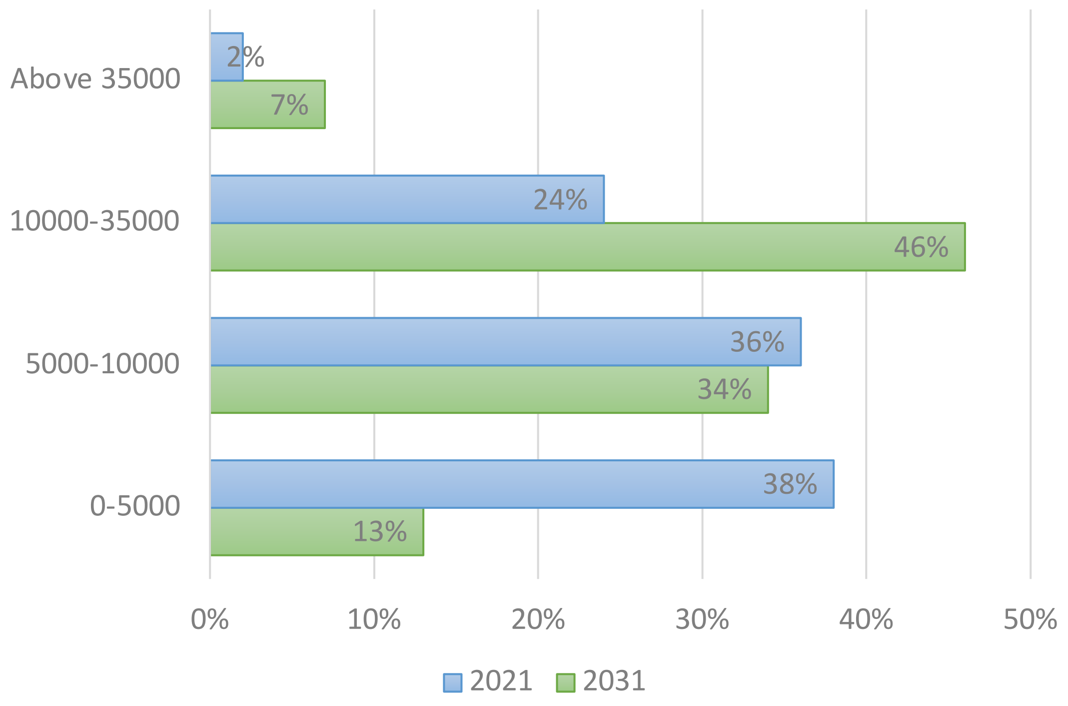


Sources: Bloomberg Data (updated till 31st Dec 2022), SKG Research

Consumption

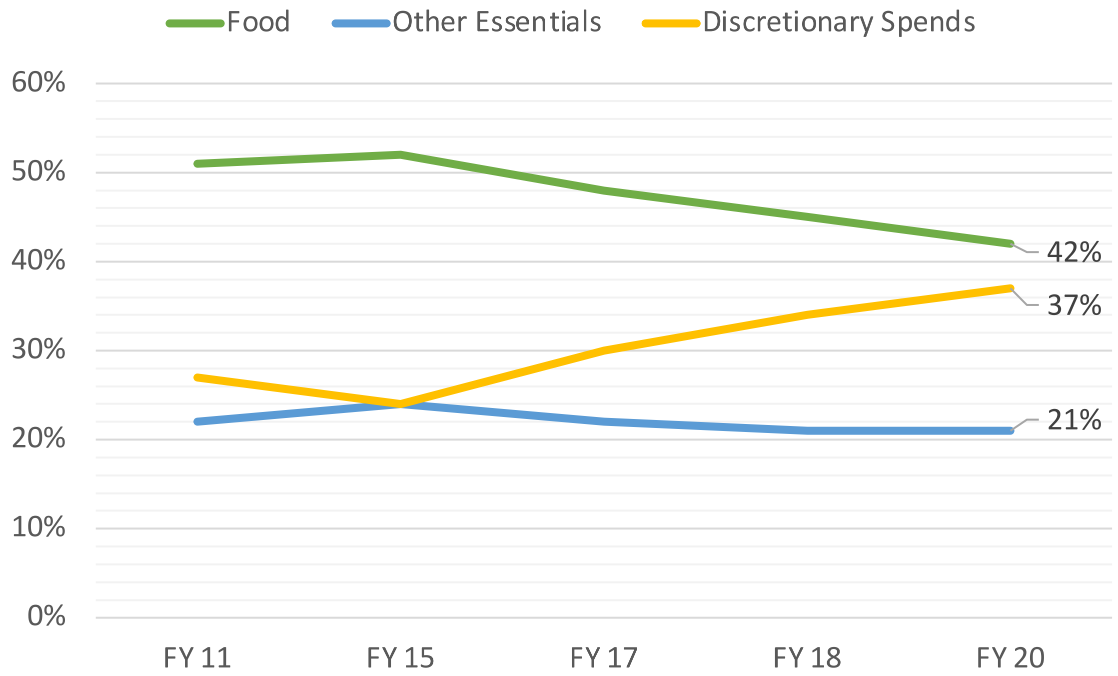
We expect consumption to maintain its share in GDP at around 58%, growing at a 9% CAGR through 2031. We expect consumption to further shift from staples to discretionary as India's per-capita income rises from US$2,278 now to US$5,242 by 2031. The optimism on India's consumption story comes from the 'AAA' opportunity of Age (Gen-Z and Millennial populations), Aspiration (social media has narrowed the information gap) and Access (e-commerce has deepened the reach of brands, thus closing the aspirational divide between urban and rural).

Households by Income Distribution (%)



Sources: Morgan Stanley Estimates, SKG Research

Share of consumer expenditure (%)



*Sources: CMIE, SKG Research. Note: *other essentials includes cosmetics & toiletries, bills & rent, and power & fuel*

SKG INVESTMENTS & ADVISORY

Infrastructure

Infrastructure forms the **bedrock of sustained growth** in an economy due to its backward and forward linkages to other sectors and ability to efficiently integrate local and global markets. India's government has recently expedited policies and reforms to promote investment-driven growth and thus eliminate the existing infrastructure deficit to foster ease of living and doing business

Sector	Units	Now	Target	Year
National Highways	km	146,000	200,000	2027
Renewable Energy	GW	111	500	2030
Major Port Capacity	MMTPA	1282	1759	2025
Metro Transportation	km	710	3759	2027
Airports	Nos	141	200	2026
Inland Waterways	Nos	10	26	2025
National Waterways	Mn MT	74	95	2025
Railways				
Dedicated Freight Corridor	km	1100	8657	2051
Modal Rail Freight Share	%	27%	45%	2051
High Speed Rail	km	-	7987	2051
Track Electrification	%	80.20%	100%	2024

Sources: PIB, Media articles, SKG Research

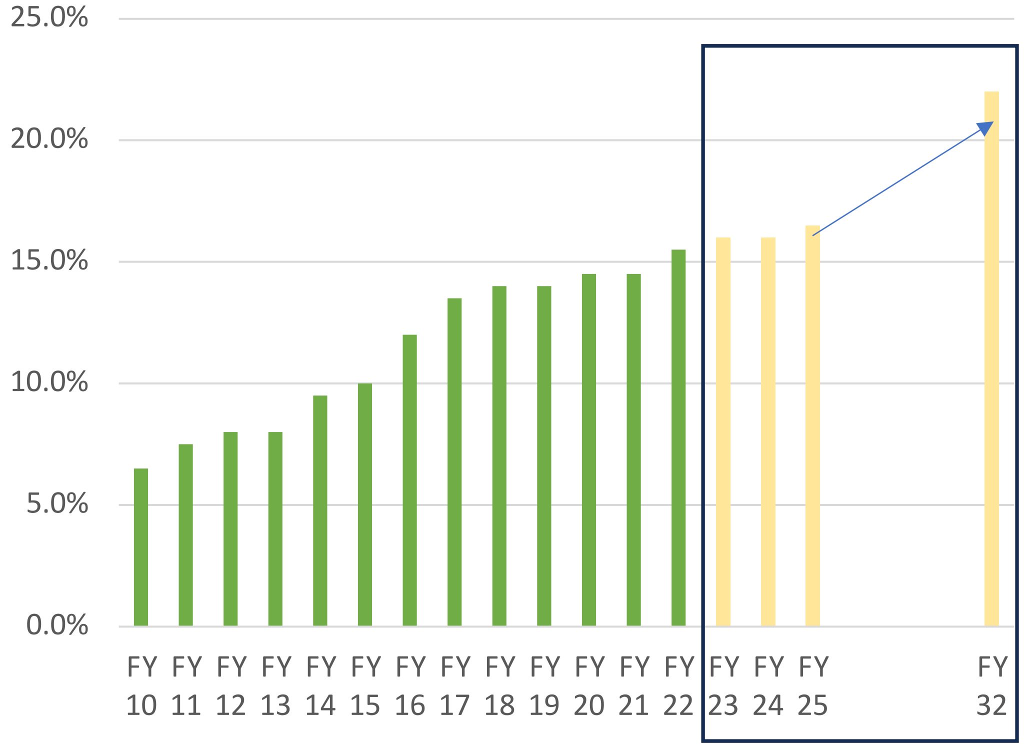
- *Under the Development Financial Institution (DFI), fresh funding of US$ 60 Bn is being targeted in the next three years. We see this as a significant development if executed well.*
- *The setting-up of DFI not only highlights the government's continued infrastructure thrust but, more importantly, creates a vehicle for sovereign funds to earn reasonable yields (independent board).*
- *Sovereign funds hitherto participated in infrastructure projects in India across metro, water and high-speed rail with the central and state governments.*
- *The initial capital infusion for DFI will be US$ 2.5 Bn , split equally over two years. The target is to raise US$ 35 Bn from the market and fund capex of US$ 60 Bn in the next three years. An additional grant of US$ 600 Mn is provided for tax exemptions over the next 10 years to attract investor interest.*

SKG
INVESTMENTS & ADVISORY

IT Services Export

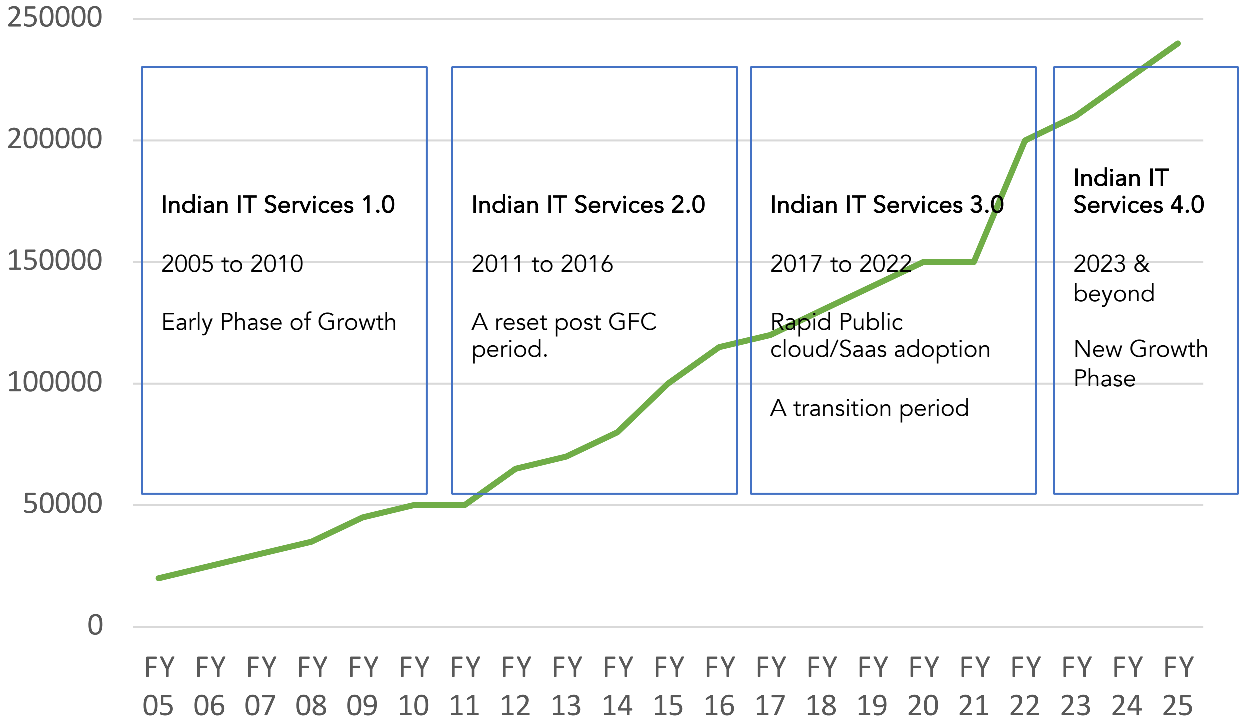
The Office to the World. India's services exports will almost treble in the next 10 years to US$527 bn (vs US$178 bn in 2021). India's technology services workforce to more than double from 5.1mn in 2021 to over 12.2mn by 2031. This would help in increasing annual office absorption from 32-35msf to a run-rate of 45-50msf over the next 5-10 years.

IT exports as % of worldwide IT services spend.



Sources: Gartner, NASSCOM, SKG Research

Evolution of Indian IT Services Exports (US $ Mn)

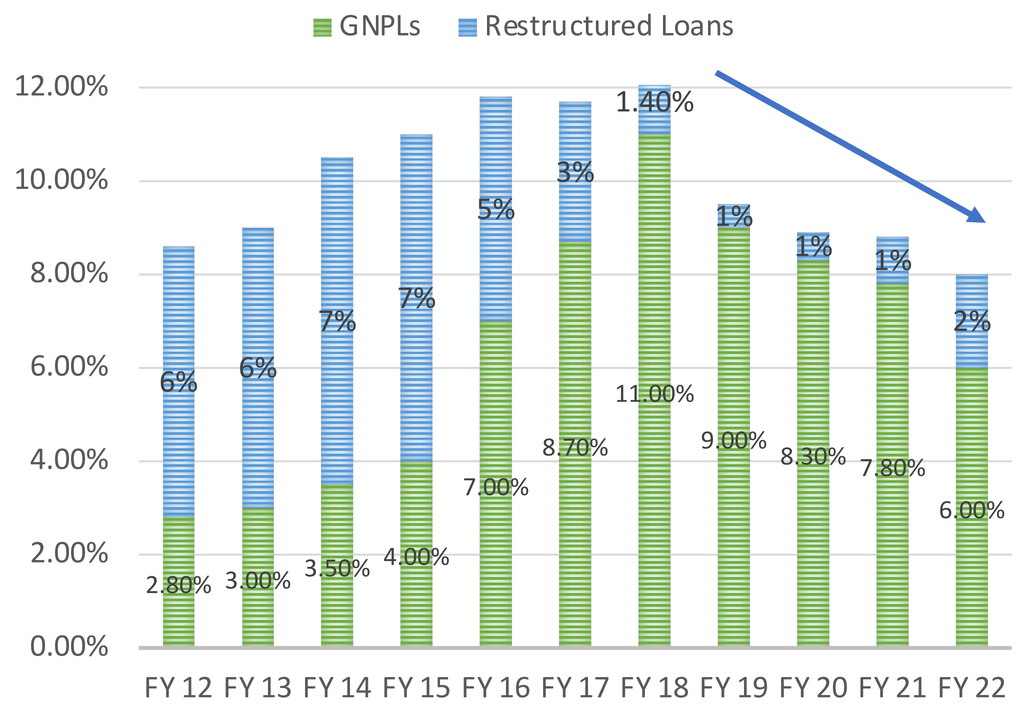


Sources: NASSCOM, SKG Research

Financial Services

Growing demand: Rising income is driving the demand for financial services across income brackets. With >2,100 fintechs operating currently, India is positioned to become one of the largest digital markets with rapid expansion of mobile and internet. The government has approved 100% FDI for insurance intermediaries and increased FDI limit in the insurance sector to 74% from 49% under the Union Budget 21-22. Credit, insurance and investment penetration is rising in rural areas.

Banks have repaired their balance sheet.

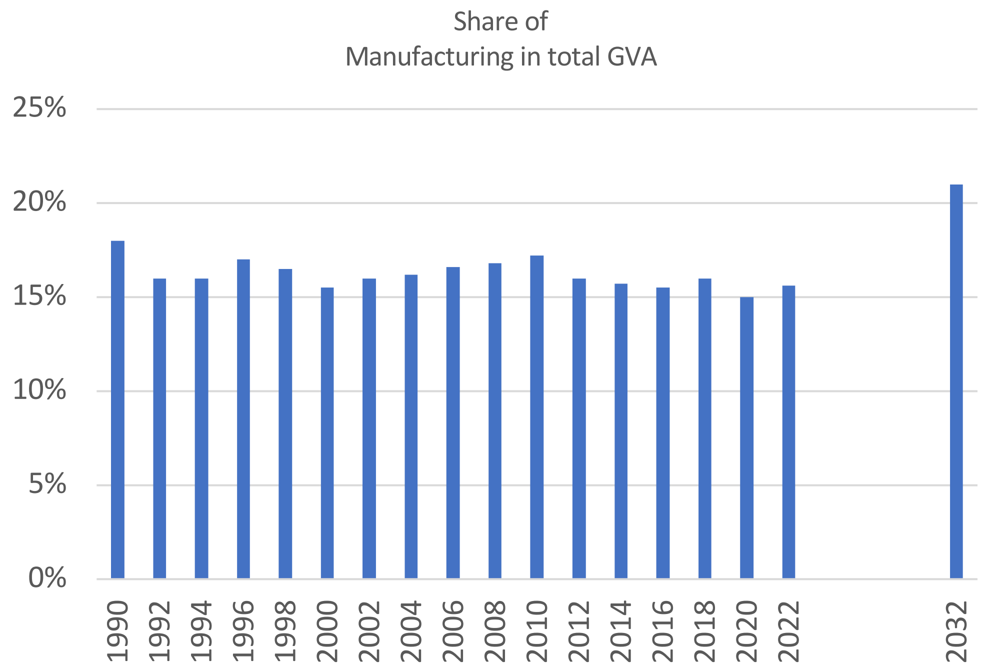


- India's unique, open and safe digital architecture, coupled with favourable demographics and rising smartphone penetration, has driven a significant improvement in the penetration of financial services (including bank, payments and broking/MF accounts).
- Large lenders across banks, NBFCs and fintechs are better placed to gain share in a profitable manner.
- Wider adoption of digital health IDs and the consequent build up of health-related data on individuals could usher in a new era in health insurance underwriting, delivery and coverage.
- Superior tech architecture that is openly available has reduced barriers to customer acquisition and, more importantly, data availability. Consequently, we have seen a sharp spike in various aspects of financial services, including bank account penetration payments, Demat accounts, digital merchant base, and so on.

Manufacturing

Factory to the World. We believe India will be a key beneficiary of the transition to a multipolar world. This trend has accelerated owing to US-China trade tensions and pandemic-related supply chain disruptions. Yet even as external factors lead to a push for greater supply chain diversification (China plus one), domestic policy makers are taking steps to integrate with global supply chains and reduce exposure to a particular country.

Share of manufacturing to increase to 21% of GDP by 2031



Sources: CEIC, SKG Research

Sources: UN Population Database, SKG Research

Our View– Outlook

- *India's GDP is likely to surpass US$7.5 Tn by 2031, more than double current levels, making it the third-largest economy and adding about US$500 Bn per annum on an incremental basis over the decade.*
- *India's market capitalization will likely grow by over 11% annually, to US$10 Tn, in the coming decade.*
- *We estimate that manufacturing's share of GDP will rise to 21% by 2031, implying an incremental U$1 Tn manufacturing opportunity.*
- *We expect India's global export market share to more than double to 4.5% by 2031, providing an incremental US$1.2 Tn export opportunity.*
- *India's services exports will almost treble to US$527 Bn (from US$178 Bn in 2021) over the next decade.*
- *Credit to GDP rises from 57% to 100%, implying compound annual growth in credit of 17% over 10 years.*
- *India's per-capita income rises from US$2,278 now to US$5,242 in 2031, setting the stage for a discretionary spending boom.*
- *US$1 Tn incremental retail opportunity in ten years. E-commerce penetration to nearly double from 6.5% to 12.3% by 2031.*
- *Internet users in India to increase from 650mn to 960mn while online shoppers will grow from 250mn to 700mn over the next 10 years.*
- *25% of incremental global car sales over 2021-2030 will be from India, and we expect 30% of 2030 PV sales to be EVs.*
- *India's workforce in the technology services sector to more than double from 5.1mn in 2021 to 12.2mn in 2031.*
- *Healthcare penetration in India can rise from 30-40% now to 60-70%; implying 400mn new entrants to the formal healthcare system.*
- *US$700 Bn+ in energy investments over the next decade as India accelerates its energy transition.*

Source : Morgan Stanley, Studocu: SKG Research

SKG INVESTMENTS & ADVISORY

Global recession or weak growth:

India is no longer a small economy and hence depends on benign global economic conditions. With nearly 20% of its output exported – a number that will rise in coming years – the outlook for the global economy has a strong influence on our forecasts. The good news is that India has reduced its dependence on cyclical capital market flows, with its external balances now largely funded by FDI.

Geopolitics:

Given its location, geopolitical events pose a heightened risk to India's economy. However, by virtue of its growing economy and the multipolar world thesis, we believe India will gain power in global geopolitical equations, which will be important to its economic story in the coming decade.

Supply of skilled labour:

India will need to train its labour force faster than in the past to keep pace with demand, or its wage advantage will evaporate. As such, while India will be the largest contributor to the working-age population among the major economies, its workforce will need skills training to keep up with technological change.

Adverse domestic politics and policy errors:

India could vote in a weaker government, as it has done in the past, raising the risk of policy errors. A fractious political situation could also inhibit the ability and willingness of policy makers to continue with the reforms required to achieve a sustainably higher growth rate. Indeed, policy-driven support is embedded in our base-case expectation of a push for capex-led growth. Further, as the economy grows and investment picks up, policy support will become even more critical to expanding infrastructure, developing a skilled labour force, deepening capital markets, and engaging with domestic and foreign investors.

Steep energy and commodity price increases:

The transition to non-fossil fuels will take time, and imported energy remains key to India's terms of trade. Energy-related imports (oil, coal, gas) account for a third of imports. As such, rising energy prices have an outsized negative impact given that they affect inflation, the current account deficit, and overall economic growth. Higher energy prices expose corporates to input price pressures and currency volatility, households to lower real disposable income, and the government to increased volatility in tax and subsidy spending patterns.

SKG
INVESTMENTS & ADVISORY

Why SKG

Investment Philosophy
Investment Process
Risk Management
Investment Banking Support
Success Stories

Why SKG – Investment Philosophy

SKG INVESTMENTS & ADVISORY

We play for businesses.

Long term focus to protect not only capital but also return.

Great Businesses	Attractive Numbers
Sustainable business models at a large scale.	Offering a favorable risk-reward ratio.
Companies with competitive advantages.	Avoid Value traps and short term fads.
Strong on corporate governance.	Good ROE and Cash Flows.
15% EBIDTA growth; 15% ROCE.	Companies with high capacity to reinvest capital and generate returns.
Mid-cap portfolio of high-growth emerging companies that are pioneers in their fields or have the potential to be leaders.	Disciplined exit strategy: Lock in profits at euphoric valuations.
Early detection of an investment concept has the advantage of a higher potential for outsized returns.	Peer to Peer favourable comparison.
Businesses that serve a market that is large enough for our money to grow 4-5 times without having to compete.	Industry selection with scope of compounding growth.
	Visibility of multiplying current PAT by 2x over next 3–5 years.

Why we like the Indian SME Segment?

- Early-mover advantage via mid-sized/small businesses.
- SMEs, sometimes family-owned, produce unnoticeable goods yet are the best in the world at those goods.
- They often operate in narrow markets and create distinctive items utilizing exclusive methods.
- Operate quite near to the clients who depend on their products and find it difficult to switch suppliers.
- These companies' competitive advantages are more often attributed to the quality, total cost of ownership, excellent performance, and tight client relationships than to cost leadership.
- India has a history of creating behemoth companies that started out as small caps :Britannia, Lupin , Titan etc.
- Small cap stocks are avoided by large institutions due to lack of liquidity. This allows the stock to move on the strength of its own merits.
- Small cap stocks tend to less correlated to the index stocks, making them a better diversification bet.

Why SKG – Investment Process

Investment Universe

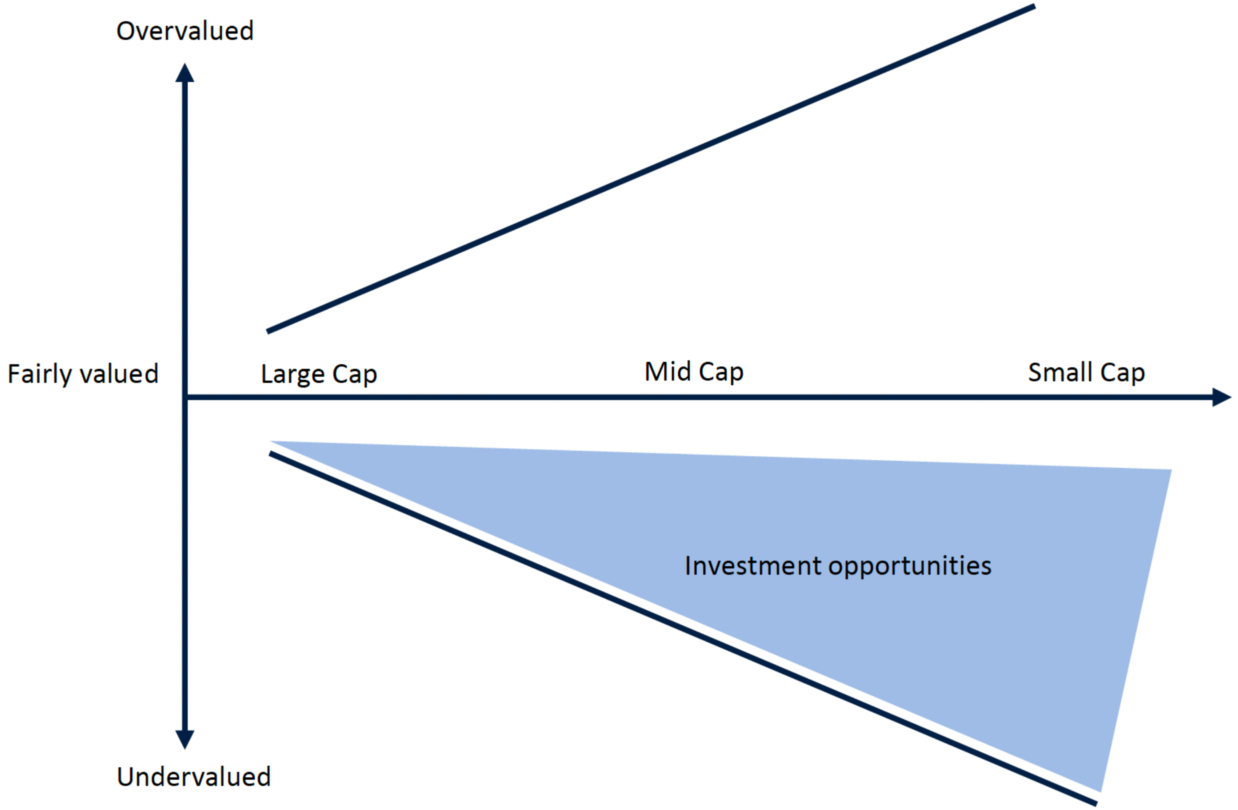
- Screen out bad governance
- Stay alert to structural changes
- Look for desired attributes

Identify and research

- Analyse in depth
- Maintain ongoing research
- Assess relative greatness

Attractive Value

- Wait till the value emerges
- Act when it presents



Risk management is central in the product design, investment process and ongoing monitoring.

Type of risk	Risk description	Risk management strategy
Quality risk	Investing in unsustainable/weak companies.	Experienced investment professionals help limit investment universe to high quality businesses.
Price risk	Overpaying for a company.	Detailed in–house research enables 'fair value' based investment recommendations.
Liquidity risk	High impact costs.	Controlled at portfolio construction stage.
Volatility risk	Price volatility due to company or portfolio specific factors.	Overall portfolio volatility and risk exposures monitored.
Event risk	Price risk due to company or sector specific event.	Timely response to uncertain events enabled through in–depth understanding of businesses.

Why SKG – Investment Banking Support

- Initial Investment to boost Top Line
- Visibility amongst investors
- Strategic Partnerships
- Market Making
- Institutional Investments
- Buy side Coverage
- Investor Relations
- Fund Raising

Why SKG – Success Stories

Company	Year Engaged	Market Cap (Rs. Cr)	Current Market Cap	% Change
RAMA Steel	2019	51	2010	3841%
BLS	2020	800	15600	1850%
IM+	2021	76	580	663%
Vertoz Advert	2023	325	980	202%
Kamdhenu Ltd	2022	612	1280	109%
Kamdhenu Paints	2023	1020	1240	22%
SG Mart	2023	4650	6340	36%
Gujrat State Fertiliser	2023	884	1132	28%
Surya Roshni	2024	7750	8130	5%
Railtel	2024	11540	11490	0%

SKG
INVESTMENTS & ADVISORY

Nomura Singapore buys 1.25 mn shares of BLS International worth Rs 27 cr

Global financial services firm Nomura Singapore on Monday purchased 12.5 lakh shares of technology services provider BLS International Services Ltd for Rs 27 crore through an open market transaction.

Topics
Nomura | Singapore | BLS International Services

Press Trust of India | New Delhi
Last Updated at July 11, 2022 21:40 IST

Rama Steel issues warrants to Shankar Sharma; stock hits 10% upper circuit

The company allotted 1,625,000 convertible warrants at an issue price of Rs 112.50 each to Shankar Shashi Sharma on preferential basis

Topics
Buzzing stocks I Rama Steel Tubes I Shankar Sharma

SI Reporter I Mumbai
Last Updated at October 13, 2022 14:26 IST

Business Standard

Home » Markets » News

BLS International soars 10% on acquisition of Zero Mass in an all-cash deal

BLS international now becomes the largest business correspondent (BC) network in India. The stock has rallied 66 per cent in the last three months.

Topics Buzzing stocks | BLS International Services | Market trends

By SI Reporter | Mumbai | Last Updated at June 09 2022 10:16 IST

Ace investor Shankar Sharma bought a stake in BLS International Services on Friday, according to NSE bulk deals data.

SKG
INVESTMENTS & ADVISORY

Kamdhenu rallies 12% as NCLT approves demerger of paint business

Salasar Techno Engineering board approves raising Rs 82 cr from 4 FPIs

Sixteenth Street Asian Gems Fund picks up stake in BLS International Services Ltd

BLS International Services Ltd. ("BLS International" or "BLS") is a trusted global tech-enabled services partner for governments and citizens, having an impeccable reputation for setting benchmarks in the domain of visa, passport, consular, citizen, e-governance, attestation, biometric, e-visa and retail services since 2005. The company is recognized as "India's Most Valuable Companies" by Business Today

Fund Details

Particulars	Details
Name of the portfolio	SKG India Value Fund
Type of portfolio	An open ended dynamic equity strategy investing in Small and Mid Caps
Investment Objective	The Fund seeks to provide a long term capital growth through a portfolio of Small and Medium Cap Indian Equities. The fund may also invest in large cap equities from time to time in order to generate stable returns.
Benchmark	The performance of the fund is measured against NIFTY 500 Index
Plans and Options	Regular & Growth
Minimum Investment	Rs. 50,00,000
Minimum add-on Investment	Rs. 5,00,000
Exit Load Structure	For redemption before 365 days from the date of investment : 2% For redemption after 365 days and before 730 days: 1% For redemption after 730 days : Nil
Fees	Option 1: 1% p.a. Management Fees + 15% of Net Profits Option 2: 2% p.a. Management Fees + 20% of Net Profits above the hurdle rate of 10%
Profile of typical investor	This product is suitable for the investor who is seeking long term capital appreciation. Investors should regard their investments as medium to long term and read the risk warnings as mentioned in the prospectus.

Important Information

- The information provided herein constitutes of marketing material prepared by personnel in SKG Assets & Holdings Private Limited.
- Non Reliance: This document does not constitute any recommendation, before acting on this material please consider if it's suitable for your circumstances.
- SKG is not soliciting any action based on the information enclosed within. This material is produced as of a particular date.
- Accordingly the material and in the information in it may have already been updated or changed by the time you receive or access it.
- SKG is under no obligation to notify anyone of such changes or update the material as and when the changes happen. The views mentioned in this material my also change without notice.
- It is meant for private circulation and should not be further publicized without SKG's knowledge.
- Any data has been sourced by us and is provided without any warranties of any kind. It should be independently verified before further publication or use. Third party data is owned or licenced by the data provider and may not be reproduced, extracted or used for any other purpose without the data provider's consent. Neither we, nor the data provider, will have any liability in connection with the third party data.
- The material is not intended to provide, and should not be relied on for accounting, legal or tax advice
- Any references to securities, sectors, regions and/or countries are for illustrative purposes only.

Issued in June 2023 by SKG Assets & Holdings Pvt Limited.

SKG

INVESTMENTS & ADVISORY

19 *years of financial excellence*