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INVESTMENT ADVISORS
Equity Research & Advisory Services
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THIS IS INDIA'S DECADE.

:MORGAN STANLEY

MONTHLY NEWSLETTER

DECMBER 2022, EDITION 3

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THE BEST TIME TO INVEST IN INDIA IS TODAY!

"The opportunity of last 30-years will be dwarfed by the opportunity of next 30-years"

~ Ramesh Damani

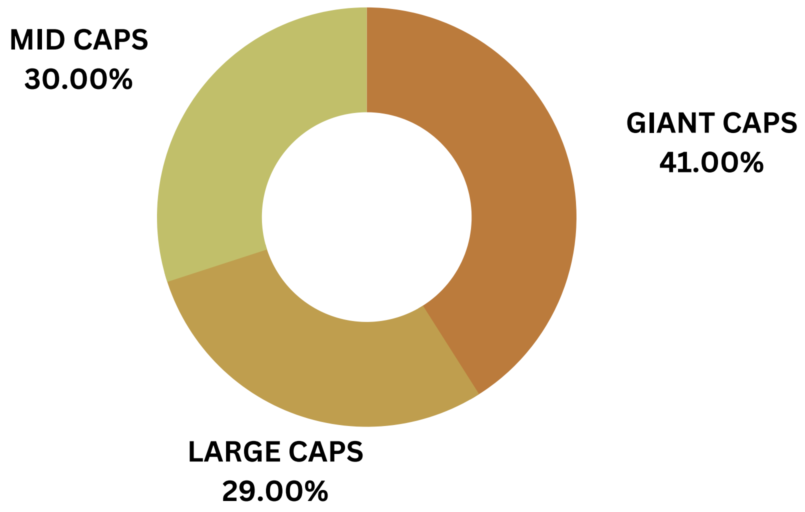
Elite Equity Portfolio X-Ray

The average age of the stocks in the portfolio is 45 years, showing that the portfolio contains well-known and experienced market leaders with the ability to generate consistent returns over time. In the present age of companies chasing unicorn titles and ignoring the basics of business.

We at Sukhanidhi always believed in investing in high-quality businesses that have withstood the test of time. This is further demonstrated by the market capitalization allocation, which shows that Giant and Large caps make up more than 70% of the total. Mid-cap stocks are weighted 30%. Our clients have generated sustainable profits over a long period of time thanks to this philosophy, and they will keep doing so. As of December 2022, the market capitalization of our portfolio was a startling Rs 8.74 million.

Average Capitalization	
Geometric Avg. Capitalization (₹Mil)	8,73,949.31
Portfolio Dividend Yield (in %)	0.73
Average Age	45 years

Allocation by Market Capitalization



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Elite Equity Portfolio X-Ray

Risk and Return Statistics*						
	3 years		5 years		10 years	
	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark
Standard Deviation	18.26	22.66	16.52	19.69	15.44	17.14
Mean	24.96	18.87	25.16	13.04	28.37	14.36
Sharpe Ratio	1.19	0.75	1.25	0.49	1.44	0.53

Risk and Return Statistics*

The **standard deviation** is a measure of investment return volatility. The 10-year portfolio standard deviation is 15.44 compared to the benchmark's 17.14.

The performance of a company's stock price over a period of days, months, or years can be understood using the statistical indicator known as the **mean**. The benchmark's mean is 14.36, whereas the 10-year portfolio's mean is 28.37.

The portfolio's **Sharpe ratio** is 1.44 compared to the benchmark's 0.53 value. Risk-adjusted return is calculated by the Sharpe ratio. It explains the amount of additional return you get in exchange for the riskier asset's increased volatility. .

MPT Statistics			
	3 years	5 years	10 years
Alpha	9.05	12.44	14.05
Beta	0.69	0.7	0.7
R-Squared	72.32	70.62	60.83

Our portfolio also generated an excess return relative to the index or more commonly known as **Alpha** of 14.05%.

The sensitivity of a stock's price to changes in the overall stock market is measured by **beta**. The beta for our portfolio is 0.70, while the market Beta is always 1.

R-squared is not a measure of a portfolio's success. Instead, it calculates how closely the returns on the portfolio track those of the benchmark. Our portfolio has an R-Squared of 60.83.

Elite Equity Portfolio X-Ray

A concentrated portfolio of 10–20 high-quality stocks, which is how we invest, has produced returns over the past five, ten, and fifteen years of 25.21 percent, 28.4 percent, and 29.1 percent, respectively.

Returns (In.%)

1- M	3 -M	6- M	YTD
1.34	-0.47	11.32	-4.37

1 - Year	3- Year	5-Year	10- Year	15 - Year
-1.03	25.02	25.21	28.4	29.15

Are Businesses Profitable?

Return On Capital Employed (ROCE)

The profitability ratio known as Return on Capital Employed (ROCE) assesses how effectively a business uses its capital. The wise use of this money could turn out to be a rewarding investment choice for any potential investor. In contrast to the Nifty 500's 15% ROCE, Sukhanidhi's elite equity portfolio has delivered a whopping 40% ROCE for the year 2022.

ELITE EQUITY PORTFOLIO						NIFTY 500
Particulars	2018	2019	2020	2021	2022	2022
Are Businesses Profitable ?						
ROCE	34%	35%	34%	34%	40%	15%
Gross Profit Margin(%)	63%	63%	63%	62%	61%	66%
Operating Profit Margin(%)	25%	26%	27%	27%	26%	30%
Are Businesses Financially Stable?						
Total Debt (Long Term Plus Short Term)	166	190	160	303	369	11,623
Interest Cover	31X	21X	7X	16X	23X	10X
Are Businesses Converting Profits into Cash?						
Cash Conversion	136%	141%	134%	174%	92%	-376%

Gross Profit Margin and Operating Profit Margin

After paying for the direct costs of doing business, which can include labour, materials, and other direct production costs, the gross profit margin shows you how much money the company made. The operating profit of a company is the difference between its revenues and expenditures and expenses, less income, and losses from sources other than its regular business operations (referred to as extraordinary or one-time items), and income deductions like interest and taxes. You can immediately determine how well a company is managing its resources by looking at the operating profit margin. Our portfolio has also generated a gross profit margin of 61% and an operating profit margin of 26% respectively.

Are Businesses Financially Stable?

Total Debt (Long Term Plus Short Term)

The amount of borrowed money that your company owes is referred to as its total debt. The company’s existing and future liabilities are added together to determine it. It essentially shows whether your business is over or under-leveraged. In terms of financial stability, our portfolio's total debt component is only 369 crores, compared to 11,623 crores for the Nifty 500 TRI.

Interest Coverage Ratio

The interest coverage ratio, or ICR, is a measure that shows how effectively a company can pay off its portion of interest costs on debt. Any business must constantly and critically worry about making interest payments. When a corporation has trouble meeting its obligations, it can be forced to take on additional debt or use cash reserves, which would be much better invested in capital assets or kept on hand for emergencies. The benchmark Nifty 500's ICR is only 10x compared to our portfolio's ICR of 23x. This indicates how well the portfolio is cushioned when it comes to meeting its future long-term liabilities sukhanidhi INVESTMENT ADVISORS Equity Research & Advisory Services

Are Businesses Converting Profits into Cash?

Cash Conversion

The Cash Conversion (CC) assesses a company's ability to convert profits into cash. A high cash conversion ratio suggests that the business generates more cash flow than net profit. A high CCR is typical for mature businesses because they typically generate sizably high profits and have amassed sizable sums of capital. It is worth noting that our portfolio has a CCR of 92%, whereas the Nifty 500 TRI has a CCR of -376%.

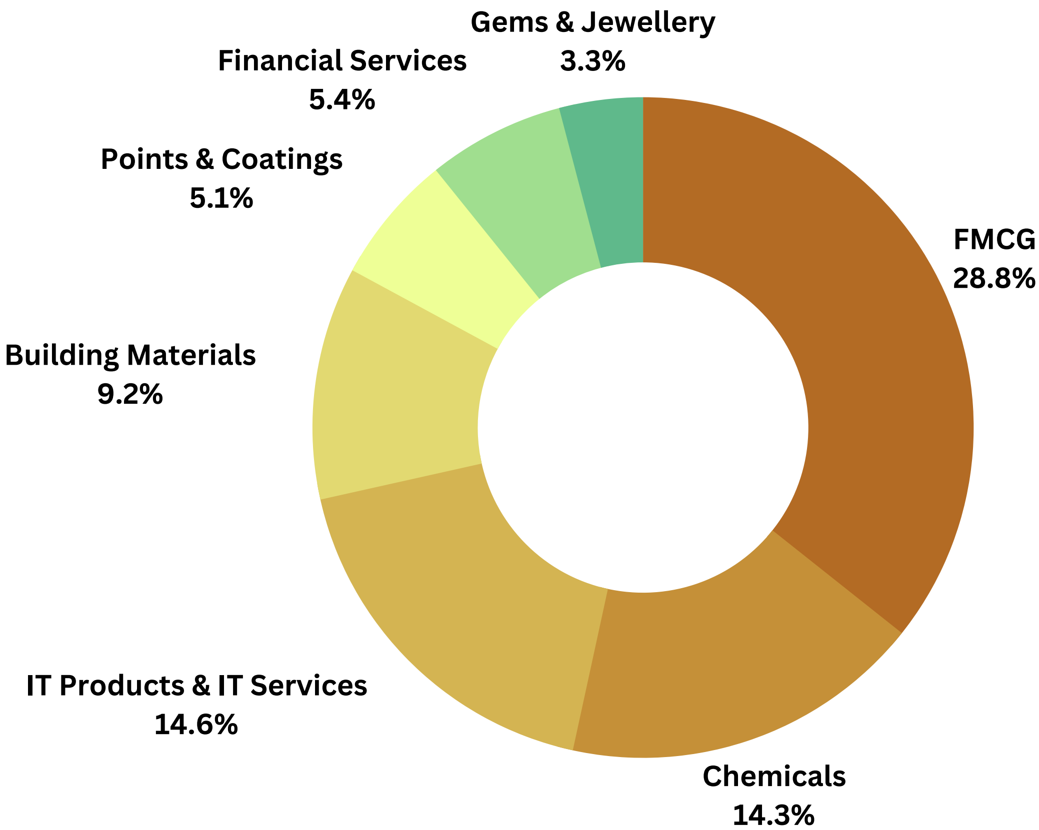
Valuation Multiples and Profitability

We invest using a bottom-up strategy. This requires choosing high-quality stocks. We would prefer to move from stock selection up to sector-based analysis. This approach has helped us deliver a Return on Equity (ROE) of 26.53% as of November 2022. The Return on Asset (ROA) is 17.84%. The P/e ratio of our portfolio is 40.47

Profitability	
% Of Stocks	**2022-11**
Net Margin	28.36
ROE	26.53
ROA	17.84
Debt/Capital	4.55

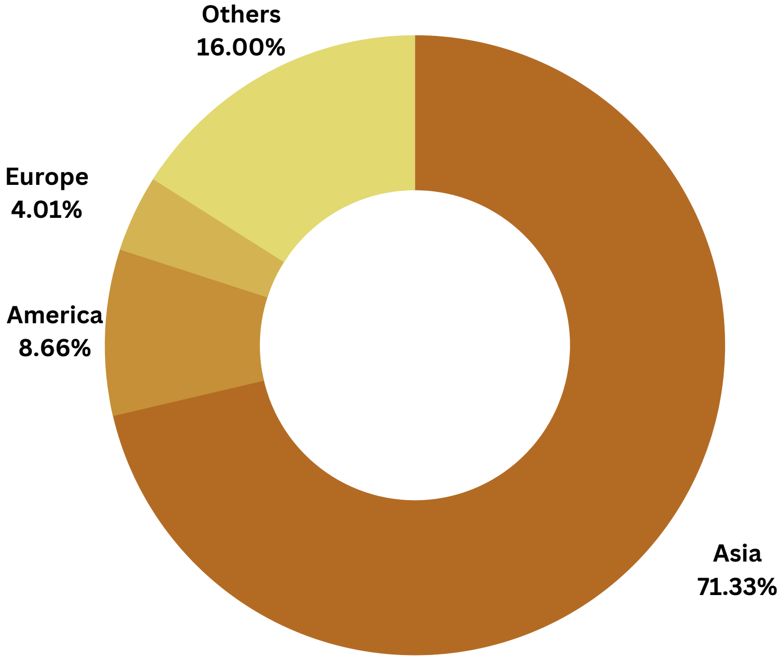
Revenue by Product

Due to effective allocation, FMCG revenue accounts for the portfolio's highest return, at 28.80%, followed by chemicals and IT services, at 14.30% and 14.60%, respectively.



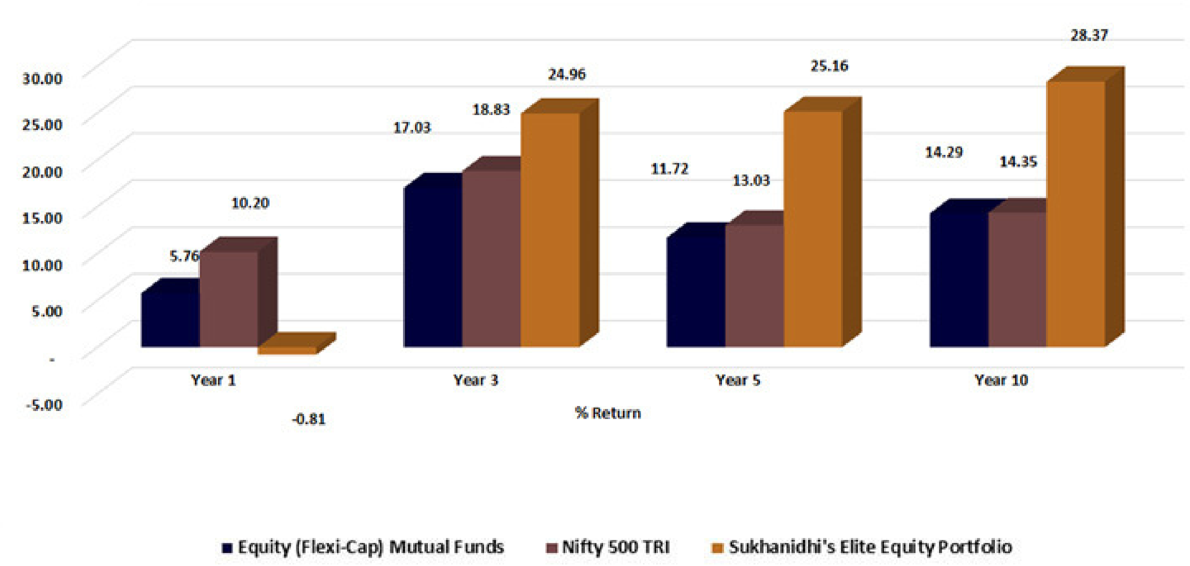
Revenue by Region

Due to the largest domestic equity allocation in our portfolio, Asia accounts for 71.33% of total revenue. The portfolio will be least affected by a recession in developed economies given America's low exposure of 8.66% and Europe's low exposure of 4.01%.



ELITE EQUITY PORTFOLIO VS MUTUAL FUND VS NIFTY 500 TRI

As of the second of December 2022, the 5-step bottom-up research methodology used for Sukhanidhi's elite equities portfolio had produced a 28.37% CAGR over the previous ten years. While the Nifty 500 Index produced a CAGR of 14.35% and equity (Flexi-Cap) mutual funds achieved a return of 14.29%, respectively.



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MAXIMIZE RETURNS & REDUCE YOUR EXPENSES WITH ELITE EQUITY PORTFOLIO

Here is why our portfolio is better than equity mutual fund and index fund

Description	Flexi-cap MF		Nifty 500 (Index Fund)	Sukhanidhi's Portfolio
	Regular	Direct	Direct	Elite Equity
Lumpsum Investment (Rs)	50,00,000	50,00,000	50,00,000	50,00,000
Fees/Charges (in % Pa)	1.75%	1.00%	0.40%	1.00%
Fees/Charges (in Rs Pa)	87,500	50,000	20,000	50,000
5-Years CAGR Returns (in %)	11.72%	12.82%	13.03%	25.16%
Value of Investement at the end of 5th Year (in Rs)	87,02,111	91,39,038	92,24,411	1,53,56,696
Difference in Corpus	-66,54,584	-62,17,658	-61,32,285	-
Total Expenses / fees in last 5 years	-4,37,500	-2,50,000	-1,00,000	-2,50,000
Net Gains/Loss at the end of 5th year	-70,92,084	-64,67,658	-62,32,285	1,51,06,696

Source: Sukhanidhi Investment Advisors

NOTE: All returns are in CAGR and the investment time horizon considered as 5 years (September 2017 to December 2022) comparision between sukhanidhi's portfolio vs mutual funds vs index funds. Sukhanidhi's portfolio is built on quality investing strategy. To know more about

While the expense ratio for Flexi-Cap MF Regular and Direct is 1.75% and 1%, respectively, Sukhanidihi's fee is 1% of AUM. Our portfolio's 5-year CAGR is 25.16%, and the Flexi-cap MFs is 11.72% (Regular) and 12.82%. (Direct). The nifty 500 Index generated 13.03%. Our clients were able to achieve fee-adjusted superior returns compared to MF and Index Fund because of this significant difference in returns.

A True Story About A Tech Savvy Investor Who Missed Out On A Fortune!

Dhruv, a 32-year-old Software Engineer at Amazon, Bangalore has a great disposable income and has been advised by his ambitious peers to invest some part of it in equities. Given his background, he is not somebody with great finance knowledge. But he is very tech-savvy and downloads an online trading application. He goes through top performing stocks section and makes his purchase in accordance with the same.

Mondays to Fridays are work, and weekends are grocery, parties and Netflix. Two months passed by. And Dhruv is back on the application. This time he finds the top performing section names have changed entirely.

He concludes he has made a big mistake by investing wrong and is panic stricken. He makes a bold move of selling all the stocks at the market price immediately. As the famous adage goes, "Haste Leads To Waste" , Dhruv wasted an opportunity to accumulate great wealth. The stock sold by him that day was a quality stock which doubled its value in 4 years.

Alas! Pity, Dhruv. Dhruv is you. Dhruv is me. Dhruv is everyone who uses these online trading platforms for free investment advice and makes a big mistake. These platforms are great for execution but are algorithm driven. Their approach is not in alignment to your financial goals. Thus, it is always recommended to purchase and sell stocks in assistance of a SEBI Registered investment expert and not to make poor investment decisions in panic.

2020-2030 to be India's Decade and India to become world's 3rd largest economy and market: Morgan Stanley

According to Morgan Stanley's report titled 'Why This Is India's Decade,' India will become the world's third-largest economy and market in the next decade, accounting for one-fifth of global economic growth.

Morgan Stanley's projection is consistent with the International Monetary Fund's (IMF) forecast of India becoming the world's third largest economy by 2027-28 and SBI's forecast of India reaching this milestone in 2029.

However, the report states that these projections are subject to favorable domestic and global factors.

Main highlights of the Morgan Stanley report

- Over the next decade, India's GDP is expected to double from $3.4 trillion to $8.5 trillion. It expects India to add more than $400 billion to its GDP each year, a figure only exceeded by the United States and China.
- Demographics, digitalization, decarbonization, and de globalization are four key factors that are likely to accelerate India's rise.
- Manufacturing's GDP share will rise from 15.6% to 21% by 2031, implying a jump in nominal output from $447 billion to around $1.49 trillion."
- Over the next decade, the number of households earning more than $35,000 per year is expected to more than fivefold, reaching over 25 million.
- Private consumption in India will more than double from $ 2 trillion in 2022 to $ 4.5 trillion by the end of the decade, a size comparable to China in 2015.
- By 2031, India's global export market share is expected to more than double to 4.5 percent.
- Over the next decade, India's service exports will triple to USD 527 billion (from USD 178 billion in 2021).
- By 2031, e-commerce penetration will double from 6.5 percent to 12.3 percent.
- Over the next ten years, the number of Internet users in India will rise from 650 million to 960 million, while the number of online shoppers will rise from 250 million to 700 million.

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What Clients Say About Us?

"I am a long term equity investor since from 15 years. I came across Sukhanidhi investment advisor, Hubli through their telephonic advertisement campaign in the month of September 2022. Mr Vinayak Savanur Advisor at Sukhanidhi met personally and he is a humble with good knowledge of the investing in various products. Immediately I signed the agreement in an effortless online process. He reviewed my existing equity holdings and advised me to reshuffle my holding for a good long-term returns and gave specific list of shares to be bought after assessing my risk profile. I liked the whole process adopted by the team sukhanidhi.😊"

-**Sunilkumar Kotambari**
Industrialist, Dharwad
★★★★★

I am a retail investor and on my own research, I have invested in some Active Mutual funds and Stocks in the last 10 yrs. There was something missing when you do things on your own without any guidance. With returns fluctuating, leading to disappointments and compelling you to exit prematurely from mutual funds and Stocks , without
holding the investment for long periods, which is actually the prerequisite to get long term Compound returns from Equity investments.
After coming in contact with SUKANIDHI, after studying their methods in detail, I have now invested in their SUKANIDHI ELITE EQUITY PORTFOLIO with a long term horizon of 5 to 15 yrs, with 3 different goals in sight, with the intention to withdraw the money as each life goal approaches during the future 15 yrs of my life.

-**Rammohan Shetty**
veterinary doctor, mangaluru
★★★★★

Our 2nd Year Anniversary Celebration

On the occasion of our Second Anniversary , we had the pleasure of sharing our happiness with the elderly people at Sandhya Kirana Old Age Home, Hubballi

We just loved hearing the kind words bestowed on us by their love & blessings. It's a memory we will cherish forever.

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Message From The Founder's Desk

VINAYAK SAVANUR
FOUNDER & CIO

Due to higher inflation, a rising interest rate, increased geopolitical tensions, etc., we see the potential for opportunity in high-quality stocks. We strongly advise investors to seize this opportunity by switching, adding surplus funds, or restructuring their current equity portfolio in order to align with the next phase of the bull market and consistently generate inflation-adjusted, risk-adjusted, and tax-efficient returns over the next 5, 10, 15, and 20 years.

HAPPY INVESTING

“

We faithfully adhere to:

THINK keeping our clients' interests in the
ACT in the best interests of our clients
DO what's best for our clients

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