

# InCred Capital Healthcare Equity PMS

## Trends of Last Decade

### 2009-15

Healthcare outperformed broader market

### 2016-19

Sustained period of underperformance

### 2019 onwards

Revival led by improved macros

## Healthcare Opportunity



### GENERICS:

Easing pricing pressure, improving ROE



### BRANDED GENERICS:

High margin, low capex and steady cash flow



### APIS:

'China + 1' - a huge boost to API players



### DIAGNOSTICS:

Capex phase over; time to monetize



### HOSPITALS:

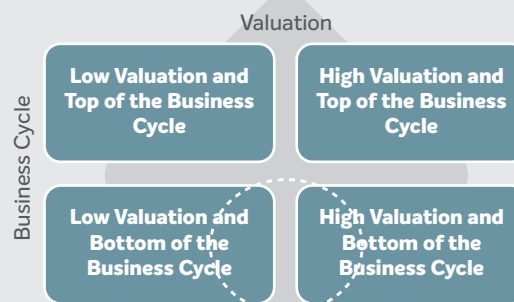
Low penetration to benefit organized players

## Valuation below 10 year Average

- **Enterprise Value to EBITDA** - Trading at 31% premium to Nifty, below the 10-year average of 35%
- **Price to Book Value** - Trading below 10-year average premium of 43%
- **Return on Equity** - Close to lows of 8% (average being 14% and peak 24%) provide headroom for improvement
- Improvement in business and ROE may lead to earnings growth and rerating of the sector going forward

Source: Bloomberg | Data as on 31st Dec 2020  
EBITDA - Earnings before Interest, Taxation, Depreciation and Amortization

## Rerated but still not expensive



## Investment Principle

Buy **'Great'** businesses at fair value

Buy **'Good'** businesses at a discount

Avoid **'Bad'** businesses

## Features

- Primarily investing in healthcare related sectors including pharmaceuticals, hospitals, diagnostics, insurance etc.
- Multicap strategy with balance across large cap, mid cap and small cap.
- Benchmark agnostic bottom-up stock picking.
- Concentrated portfolio of 15-20 stocks.



**Aditya Khemka**, Fund Manager

- Over 15 years experience in healthcare businesses and investments. Brings along a rich global working experience in the US, EU, Latin America and in India.
- Former Fund Manager at DSP Mutual Funds (2015-2020)
- Has previously executed a product strategy that drove ~40% alpha over benchmark in 18 months with low churn.
- Believes in bottom-up research and understanding the source of cash flows and their sustainability.

Disclaimer: This document has been prepared by Incred Capital Wealth Portfolio Managers Private Limited (Formerly known as BSH Corporate Advisors and Consultants Private Limited and hereinafter called Incred Capital) and its group companies solely for informational purposes and is not an offer to sell or a solicitation of an offer to buy the units or securities or services stated herein. The recipient(s) before acting on any information herein should make his/ her/ their own investigation and seek appropriate professional advice. We have exercised due diligence in checking the authenticity and correctness of information contained herein but do not make any representation as to the accuracy or completeness of such information and should not be relied upon without proper due diligence by the recipient. Incred Capital shall not in any way be responsible for any loss or damage that may arise to any person from any inadvertent error in this publication. Some information contained herein may be forecasts and/or forward-looking statements that are based on our current views and assumptions and involve known or unknown risks and uncertainties that could cause actual results or events to vary materially from those expressed and implied in such statements. The information contained herein is subject to change without any prior notice. Incred Capital reserves the right to modify any statements, information, estimates, etc as may be required from time to time. Prospective investors are advised to carefully review the Disclosure Document, Client Agreement, and other related documents carefully before investing. Scheme launched by InCred Capital Wealth Portfolio Managers Private Limited (ICWPMPL) a SEBI registered Portfolio Manager with registration number INPO00007128. InCred Wealth Private Limited is a holding company of ICWPMPL, AMFI registered Mutual Fund Distributor.