



# HSBC India Next Portfolio

## PMS Product Note

September 2025

### Which themes can benefit the most in economic revival?

CONSUMPTION		GLOCAL		DIGITISATION		HIGH ALPHA
<ul style="list-style-type: none"> <li>Secular growth sector</li> <li>Conventional yet progressive theme</li> </ul>	+	<ul style="list-style-type: none"> <li>Play on MNCs in India</li> <li>Structural, long term theme</li> </ul>	+	<ul style="list-style-type: none"> <li>Disruptive and New age theme</li> </ul>	=	Disruptive themes combined with secular & progressive ones aim to have potential to deliver alpha

**Inception Date :** 18 February 2021

#### Minimum Application Amount

For (1) Fixed fee option and (2) Fixed & Performance-linked option = INR 5 million

#### Investment Objective

HSBC India Next Portfolio aims to generate returns and provide long term capital appreciation by investing in equity and equity related securities across market cap of businesses benefitting from transformation in Indian economy

#### Benchmark: BSE 500 TRI,

**Rationale for selection of benchmark –** Primary Benchmark prescribed by APMI as mandated by SEBI to evaluate relative performance of the portfolio. It is as per market cap based methodology for equity strategy.

#### Fund Manager

Sheetalkumar Shah, Total Experience: 28 years, managing this portfolio since 18 February 2021

#### Indicative tenure or investment horizon

Medium to Long Term (3 years+)

#### Description of types of securities

- Equity and equity related securities including convertible bonds and debentures and warrants carrying the right to obtain equity shares.
- Derivative instruments as may be permitted by SEBI / RBI.
- Units of liquid funds/overnight funds of HSBC Mutual Fund. Cash and cash equivalents
- Any other instruments as may be permitted by RBI / SEBI / such other Regulatory Authorities from time to time

Investors should note that pursuant to Clause 2.3 of SEBI Master Circular for Portfolio Managers dated July 16, 2025, an option to invest directly, i.e. without intermediation of persons engaged in distribution services, is available to the investors.

#### Portfolio Manager's commentary:

Two most important announcements during the August month impacted market sentiment divergently. The proposed GST reforms announced by the Prime Minister aim to revive consumption by lowering rates on mass-market categories, thereby stimulating demand amid global headwinds. By reducing slabs and addressing inverted duty issues, the plan simplifies taxation and supports formalizations. Alongside the Union Budget's direct tax cuts, the measures together are expected to provide significant fiscal boost to GDP. We expect that Indian economy should see strong revival in 2HFY26 supported by easing rates, income-tax cuts, GST normalization, post-election fiscal measures, better liquidity, and potential rural demand post-monsoon.

Another major event was USA's imposition of penal secondary 25% tariff on India, taking the total reciprocal tariff to 50% (significantly higher than other Asian peers, including China). These higher reciprocal tariff may impact India's GDP by 50-80 bps. However, the impact may soften as a) The USD 20-30 bn worth of export loss to the USA may get absorbed by the domestic economy (INR 1.2-1.5 trn GST cut and tax multiplier of 1.5-2.3x may boost consumption by INR 1.8-3.5 trn) or by other geographies (as India's export share is lower compared to GDP contribution) and b) There exists scope for another 25 bps rate cut in case the domestic growth slows down.

In terms of portfolio action, we exited Sanofi India during the month. The company reported weak 2Q with both revenue & profitability declining in double digits. Sanofi is undergoing a radical portfolio restructuring through its unconventional marketing partnerships with Cipla / Emcure, the benefits of these partnerships may accrue in long term but near-term outlook is bit uncertain given the sharp quarterly variability in numbers given the ongoing restructuring. There has been top management change also recently. We replaced Sanofi India with other quality pharma franchise "Alkem Laboratories Ltd".

Alkem Laboratories Ltd is the fifth-largest pharmaceutical company in the Indian market, with a dominant position in the therapy areas of anti-infectives, gastrointestinal disorders, pain management, and supplements. It also has a growing portfolio of products in chronic therapies, including diabetes, neurology, dermatology, and urology. This was led by Alkem's strong brand recall, consistent product launches and a wide physician coverage and prescription base, supported by a well-entrenched distribution network.

Alkem's domestic operations account for @ 68% of the consolidated revenue with portfolio of strong brands such as PAN and CLAVAM which are greater Rs. 5 bn brands and has 17 brands in IPM top 300 ranks.

Alkem is expected to perform well going ahead driven by significant recovery in India and international (majorly non-US business with more filings) region, improving market share in flagship brands (branded generics), new complex launches, exploring new areas of growth (launch of GLP 1 drugs – likely to get first mover advantage), cost optimisation, shift of focus to chronic and niche therapies.

Alkem's investment in new ventures is likely to reap benefit for the company from H2FY26 onwards. The company has incurred capex of INR 5.5bn towards setting up a manufacturing plant in US (operational by Q3FY26) to venture into contract development and manufacturing (CDMO) of biosimilars. It has acquired two assets in the medtech business for INR 2.9bn and plans to scale its investment in this segment to INR 20-30bn in the next few years.

The company has a cash of Rs. 47 bn which the company wants to use it for acquisitions focused on chronic therapies. This would diversify the portfolio and accelerate growth. Valuations are attractive at 19.5x FY 27 EV/EBITDA multiple.

#### Top 10 Holdings

Source - HSBC Asset Management India, Bloomberg

Name	Weight %	Theme	ROE (FY25) %	EPS CAGR (2Yrs)
INTERGLOBE AVIATION LTD	6.50	Consumption	127.7	14.5
STATE BANK OF INDIA	5.85	Consumption + Digital	17.3	4.2
MARUTI SUZUKI INDIA LTD	5.26	GLOCAL + Consumption	15.7	12.7
INDIAN HOTELS CO LTD	4.98	Consumption	18.5	14.2
SHRIRAM PISTONS & RINGS LTD	4.59	Consumption	23.5	15.4
FORTIS HEALTHCARE LTD	4.53	Consumption	9.3	34.9
ETERNAL LTD	4.37	Consumption + Digital	2.1	130.0
TITAN CO LTD	4.27	Consumption	31.8	33.5
DLF LTD	4.19	Consumption	10.7	10.5
PHOENIX MILLS LTD	4.19	Consumption	9.9	31.5

Performance#	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	4 Years	Since Inception
Portfolio (HINP)	-0.42%	0.98%	15.23%	-1.36%	13.59%	14.13%	12.39%	14.95%
BSE 500 TRI ^	-1.75%	-0.89%	13.62%	-4.71%	15.96%	14.40%	12.51%	14.76%

Source – HSBC Asset Management India, Bloomberg, Data as on 31 August 2025. Returns upto 1 year are absolute & over 1 year are Compounded Annualized. Returns are adjusted for inflows/outflows. The above information is for general information purpose only and it should not be considered as investment research, investment recommendation or advice to any reader of this content to buy or sell investments. The portfolio may or may not have any future position in these stocks. ^ Regulatory benchmark, #Refer page no. 2 for detailed disclaimer. To view the portfolio's performance relative to other Portfolio Managers, you may click here (APMI [apmiindia.org](https://apmiindia.org)).

## Basis of selection of types of securities

The investment approach is to create long term wealth for investors by participating in companies from sectors that are likely to be beneficiaries of transformation in the Indian economy including themes such as, digitization, consumption, GLOCAL i.e. Global companies working in local markets, etc. The portfolio manager intends to do the same by buying equities of these businesses and hence, equity and equity related securities are chosen for investment. The portfolio manager may, from time to time, invest un-deployed funds in units of liquid funds/ overnight funds of HSBC Mutual Fund including cash and cash equivalents for cash management purposes

## \* For cash management and pending deployment in the portfolio

## Why invest in HSBC India Next Portfolio (HINP)?

### Fueled by focused themes

The portfolio aims to gain by focusing on the select themes such as Consumption, GLOCAL and Digitisation in a more concentrated manner that can propel growth.

### Growth with new age portfolio

HINP's allocation to Discretionary spending can offer above average growth over a long term. Allocation to Digitisation adds new age investment ideas.

### Earning visibility

Expected earnings acceleration can offer high alpha generation opportunities effectively.

### High conviction and concentration

High conviction and concentrated portfolio of HINP can provide high alpha generation opportunities with our portfolio construction process and TVSQ strategy. (TVSQ – Dominant Themes, Reasonable Valuations, Scalability & Sustainability and Management Business Quality)

## Sector Allocation

### Sector Name % of Net Assets

Consumer Discretionary	26.41
Financials	16.95
Industrials	11.93
Real Estate	8.38
Information Technology	7.08
Health Care	6.34
Communication Services	5.37
Energy	3.87
Consumer Staples	2.96
Utilities	2.90

## Market Capitalisation

Large Cap:	53.41%
Mid Cap:	17.37%
Small Cap:	21.41%
Avg. Weighted Market Capitalisation Rs. 2,86,293 Cr	
Median Market Capitalisation Rs. 1,05,933Cr	
Large Cap:1st 100 company in terms of full market capitalization. Mid Cap: 101st to 250th company in terms of full market capitalization. Small Cap: 251st company onwards in terms of full market capitalisation.	

## Portfolio Fundamentals & Attributes

Dividend yield FY25	0.6%	2 year EPS CAGR	15.6%
P/E FY25 estimates	49.6x	RoE FY25	23.4%
P/E FY26 estimates	49.2x	Beta:	1.1
P/E FY27 estimates	32.5x		

2 years EPS CAGR: FY25 to FY27 – Data as on 31 August 2025

## Investment Strategy

The portfolio strategy endeavors to capitalize on long term wealth creation opportunity by investing in select high growth potential businesses from sectors that are likely to be beneficiaries of transformation in the Indian economy including themes such as Digitisation, Consumption, GLOCAL i.e. Global companies working in local markets, etc. The portfolio would be market cap agnostic and would focus on select themes with potential to deliver alpha over medium to long term.<sup>&</sup>

However, it is expressly clarified that clients are not being offered any guaranteed / assured returns and that the Portfolio Manager only endeavors to meet the investment objective

## HSBC India Next Portfolio offers high conviction, concentrated investment portfolio focused on sectors that are likely to be beneficiaries of transformation in the Indian economy

<sup>&</sup> The Portfolio Manager may also participate in the Securities Lending Scheme.

**Portfolio Disclaimer:** The portfolio attributes of the investment approach mentioned above are based on all clients' portfolios existing as on the date stated above, excluding any temporary cash investments, and does not represent the model portfolio being offered to the clients, including prospective clients, and hence it is possible that these stocks may not be part of the portfolios constructed for new clients. **The above information is for illustrative purpose only and it should not be considered as investment recommendation or advice or opinion from the Portfolio Manager on the above mentioned stocks/ sectors.** In no event shall the Portfolio Manager, its directors or employees or its affiliates have any liability for any financial impact to the recipient on account of use of the above information.

## # Past performance may or may not be sustained in future and is not a guarantee of any future returns.

Time weighted - Daily valuation method is used for rate of return calculation. Returns up to 1 year are absolute & over 1 year are Compounded Annualized. The performance disclosed above is based on all clients' portfolios under the investment approach, existing as on the performance calculation date, using Time Weighted Rate of Return (TWRR) of each client. All cash holdings and investments in liquid funds are also considered for calculation of performance and the performance data is net of all fees and all expenses (including taxes). Since inception date stated above is the date on which the first client investment was made under the investment approach. Please note that the actual performance for a client portfolio may vary due to factors such as expenses charged, timing of additional flows and redemption, individual client investment restrictions, if any, etc. These factors may have an impact on client's portfolio performance and hence may vary significantly from the performance disclosed above. Neither the Portfolio Manager, nor its directors or employees shall in any way liable for any variation noticed in the returns of individual client portfolios. The performance related information provided herein is not verified by SEBI.

## Risk associated with investment approach

Deployment of monies under the investment strategy will be oriented towards equity and equity related securities of companies belonging to themes/sectors that are likely to be beneficiaries of transformation in the Indian economy including themes such as digitization, consumption, GLOCAL i.e. Global companies working in local markets, etc. and hence will be affected by risks associated with these industries as well as any factors that affect the broader macro-economic environment such as interest rate changes, liquidity, cross border fund flows, statutory/regulatory changes etc.

Since the portfolio is expected to be concentrated with exposure to select themes/sectors, it may perform differently from the broader stock markets/ benchmark but may still be impacted by broad market movements. It is likely that the portfolio may also experience period of volatile performance and liquidity challenges in view of the limited number of stocks invested in by the fund manager.

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