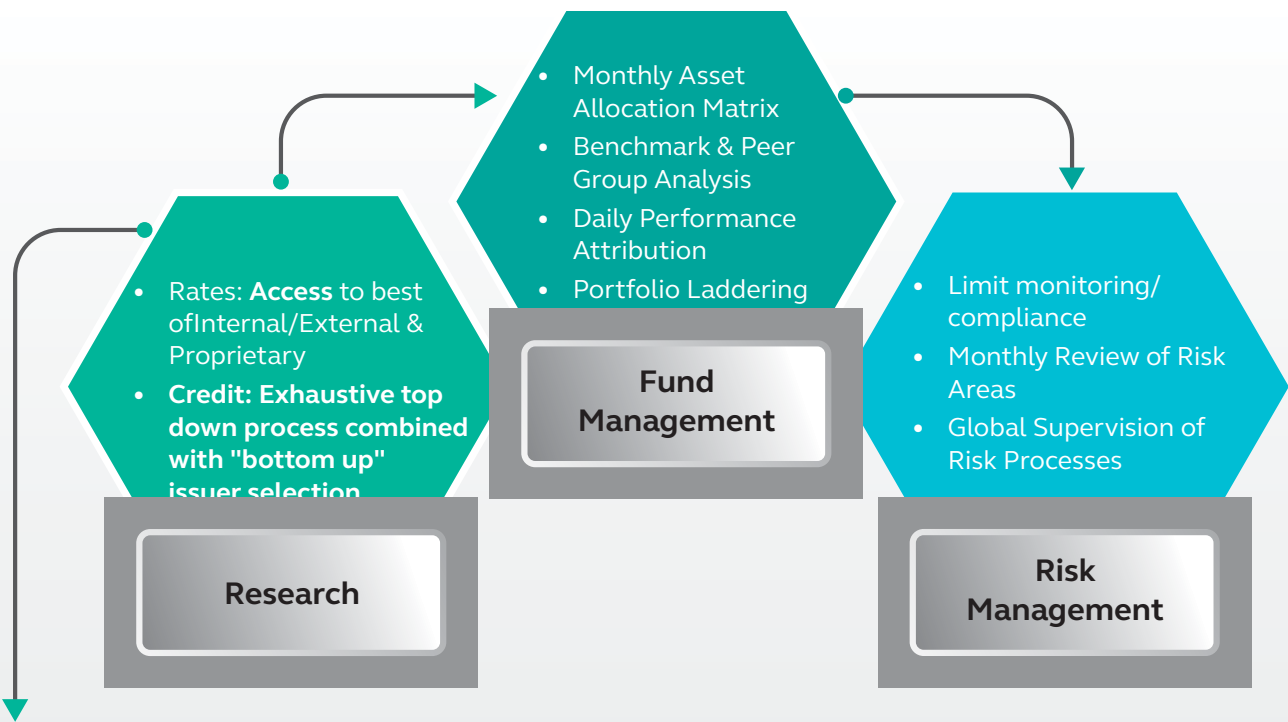




CREDIT INSIGHT

October 2020



Highlights of the Credit Research Process



Board approved Internal Credit Risk Assessment Policy



"Credit Tracker" list of approved Credits: LT & ST: Bottom Up Approach



Inclusion and sustainability of a credit in the record/list is determined by the established credit process, which includes two broad areas :

- Approval for new credits (through credit note)
- Review and monitoring of existing credits



"Early in- Early Exit" Identify new promising credits early on, take shorter exposures



Access to in house Equity Team expertise on sector/stock coverage where we take exposure

KEY CREDIT NOTES

Ultratech
Cement Ltd.

Reliance
Industries Ltd.

Housing
Development
Finance
Corporation Ltd.

LIC housing
finance Ltd.

Bajaj Finance Ltd.

The Ramco
Cements Ltd.

Icici Securities Ltd

ULTRATECH CEMENT LTD

Rating: CRISILAAA (stable)/A1+, India Ratings ltd AAA(stable),A1+

Rating change in last month: No change

Sector: CEMENT & CEMENT PRODUCTS

About: Ultratech Cement Ltd ('UCL') is India's largest manufacturer of grey cement, ready mix concrete and white cement in India. It has 12 integrated plants, one clinker plant, 20 grinding units, seven bulk terminals, and two white cement and putty plants. Its operations span across India, the UAE, Bahrain, Bangladesh and Sri Lanka. UCL has a market share of 24% in India with 113.35 million tonne per annum (mtpa) capacity. Operating efficiency is superior, driven by strong consumption norms, efficient logistics (because of pan-India presence), and captive power capability. As on Sep 30, 2019, Grasim (the flagship company of the Aditya Birla group) held 60.2% equity stake in UltraTech, the other promoter group held 1.49%, and financial institutions and the public held the rest. During fiscal 2020, UCL, on a consolidated basis, had a net profit of ₹ 5800 cr with operating income of ₹42100 crore, against a net profit of ₹ 2,400 crore with operating income of ₹ 41600 crore in fiscal 2019. Net debt/EBITDA was down to 1.55x in Mar'20 from 2.83x in Mar'19

RELIANCE INDUSTRIES LTD

Rating: CRISIL AAA (stable)/A1+, ICRA AAA (stable)/A1+, India Ratings AAA (stable)/A1+, CARE AAA (stable)/A1+

Rating change in last month: No change

Sector: Energy

About: Reliance Industries Limited (RIL) is one of India's largest private sector companies (market cap > 14 lakh crores as on 31st Jul 2020), with diverse interests, including petrochemicals, oil refining, and upstream oil and gas E and P.. In the recent past, RIL has diversified into newer businesses which includes organized retail and digital services. RIL operates one of the most complex refineries globally which improves its flexibility in terms of crude sourcing resulting in relatively high Gross Refining Margins (GRMs). RIL's strength in the petrochemicals business has also grown following large-scale capacity expansions, including the refinery off-gas cracker, in the previous fiscal and healthy ramp up of operations. The company's digital services venture, where it has made sizeable investments, has been gaining subscribers at a healthy pace since inception and has achieved a subscriber base of 331.3 million as on June 30, 2019. RIL has in the last six months raised a record amount of equity capital from marquee investors globally which shows the immense strength in its newer businesses which includes telecom, retail and digital services.

HOUSING DEVELOPMENT FINANCE CORPORATION LTD

Rating: CRISIL AAA (stable)/A1+, ICRA AAA (stable)/A1+, CARE AAA (stable)/A1+

Rating change in last month: No change

Sector: Financial Services

About: Housing Development Finance Corporation Limited (HDFC), India's premier housing finance entity, is in existence for over 40 years. With a presence in banking, insurance and asset management, the HDFC Group is an important part of the Indian financial services sector. HDFC's has a strong franchise and has demonstrated ability to grow in the competitive mortgage finance market, its focus on prime salaried customers within the home loan segment and its good asset quality indicators over credit cycles. HDFC has a strong capitalization, moderate gearing and good profitability indicators. During FY2020, HDFC reported an asset base of ₹ 5,16,800 compared to an asset base of ₹ 4,58,776 crore in FY2019. HDFC reported Profit After Tax (PAT) of ₹ 17,769 crore during the year ended March 31, 2020 compared to ₹ 9,632 crore during the year ended March 31, 2019

LIC HOUSING FINANCE LTD

Rating: CRISIL AAA (stable)/A1+, ICRA A1+, CARE AAA (stable)

Rating change in last month: No change

Sector: Financial Services

About: LIC is the single-largest shareholder in LIC Housing with a stake of 40.31% as on Mar 30, 2020. It is India's second-largest housing finance company, with 9 regional offices, 23 back offices, and 273 marketing units in India, and 2 overseas representative offices (1 each in Dubai and Kuwait), as on March 31, 2020. LIC Housing benefits from LIC's strong brand equity, access to its agency network for origination of loans, and funding support. LICHF reported 4Q20 Net Income of ₹ 4.2bn (down 39% y/y; ROE: 9.5%) on lower margins and higher operating cost with a positive offset on credit costs. Operating profit at ₹ 8.9B was down 18% y/y Asset quality worsened slightly with Stage 3 Assets rising to 2.8% (+10bps q/q). AUM growth was 8% y/y with individual loan growth at 9.4% y/y. High leverage (~12x) and relatively low Tier 1 capital vs. peer group (Tier 1: 12.5%) are the key negatives. These get offset by Stage 2 assets which declined ~100bps QoQ to 4.7% and LICHF's access to diverse funding sources remains robust as seen in almost ₹ 270B capital raising (48% of incremental borrowings) done via debt markets in F20 given the parentage

BAJAJ FINANCE LTD.

Rating: CRISIL AAA (stable)/A1+, ICRA AAA (stable)/A1+, CARE AAA (stable)/A1+, India Ratings AAA (stable)/A1+

Rating change in last month: No change

Sector: Financial Services

About: Bajaj Finance Limited (BFL) is an NBFC-D-SI with a diversified loan portfolio and a pan-India presence. While the company was originally set up to provide finance for the purchase of two-wheelers and three-wheelers manufactured by Bajaj Auto, it diversified into other segments over the years. Currently, it operates across six broad categories – Consumer Lending, Commercial Lending, Rural Lending, SME Lending, Deposits and Partnerships & Services. Under the category of Partnerships & Services, the company offers products like health insurance, extended warranty, comprehensive asset care, co-branded credit cards and wallets. On a consolidated basis, BFL reported a net profit after tax of ₹ 5264cr in FY 20 on total managed assets of ₹ 147153cr vs PAT of 3,995 crore in FY2019 on a total managed asset base of ₹ 1,27,608 crore as on March 31, 2019. The reported CRAR was 25.01 including Tier 1 of 21.27% as on March 20. The company is rated AAA by all the rating agencies rating it.

THE RAMCO CEMENTS LTD.

Rating: CRISILA1+,ICRAAA+(stable)/A1+

Rating change in last month: No change

Sector: Cement & Cement Products

About: The Ramco Cements Ltd. is a leading cement player with capacity of 17.7 million ton spread across Tamil Nadu, Andhra Pradesh, Karnataka and West Bengal. Established in 1957, it manufactures, and markets cement under the Ramco brand predominantly in South India. The company also has windmill capacity of 125.95 megawatt (MW; post the transfer of 33.23 MW to a newly formed subsidiary, Ramco Windfarms Ltd, in fiscal 2014) and captive thermal power plants with capacity of 175 MW. Gearing was 0.65 time (based on gross debt) as on March 31, 2020. However, net cash accrual to adjusted debt decreased to 0.24 times in fiscal 2020 from 0.39 times in fiscal 2019 as debt increased from ₹ 1844 crore on fiscal 2019 to ₹ 3166 crore in fiscal 2020, driven by debt-funded capex of ₹ 1920 crore incurred in fiscal 2020. In fiscal 2021, company will incur further capex of ₹ 1000 crore which will be financed through debt of ₹ 200-300 crore and rest internal accruals. Despite debt funded capex in fiscal 2020 and 2021, the financial risk profile will remain healthy over the medium term, aided by healthy profitability, and sufficient cash accrual.. The company revenue were ₹ 5385cr for FY 20 (vs ₹ 5155cr in FY 19) and PAT of ₹594cr in FY 20(vs ₹501cr in FY 19).

ICICI SECURITIES LTD

Rating: CRISIL A1+/AAA (Stable) ICRA A1+/AAA (stable)

Rating change in last month: No change

Sector: FINANCIALSERVICES

About: ICICI Securities Limited (I Sec), majority owned subsidiary of ICICI Bank (79.22% stake), offers broking services to institutional and retail clients in the cash equity and derivatives markets. ICICI Bank have infused capital aggregating ₹100 crore into I-Sec in the past years.. The company also distributes public issues to corporates and high net worth individuals, and has a strong presence in investment banking. It has a large client base in the online retail broking segment. The company is also growing its wealth management business. I Sec distributes many financial market products, including insurance, mutual funds, and loans, for the ICICI group. In addition, ISec also distributes mutual fund products of other players in the market.

For fiscal 2020, I-Sec reported a PAT of ₹ 536 crore on a total income of ₹ 1705 crore, against a PAT of ₹ 491 crore on a total income of ₹ 1727 crore for the previous fiscal.

Issuer wise Holding as on September 30, 2020

Issuer	Principal Cash Management Fund	Principal Low Duration Fund	Principal Short Term Debt Fund	Principal Ultra Short Term Fund
Axis Bank Ltd				✓
Bajaj Finance Ltd.		✓		✓
HDFC Bank Ltd			✓	
Hindustan Petroleum Corp Limited			✓	
Housing Development Finance Corporation Limited		✓	✓	✓
ICICI Bank Ltd		✓	✓	✓
ICICI Securities Limited	✓	✓		✓
Indian Oil Corporation Limited		✓	✓	
Indian Railway Finance Corporation Limited		✓	✓	✓
LIC Housing Finance Ltd		✓	✓	✓
National Bank For Agriculture and Rural Development			✓	✓
National Housing Bank		✓	✓	
NTPC Limited		✓	✓	
Power Finance Corporation Ltd			✓	
Power Grid Corporation Of India Ltd	✓	✓		✓
REC Limited	✓	✓	✓	✓
Reliance Industries Ltd			✓	✓
Small Industries Development Bank Of India		✓		✓
The Ramco Cements Ltd.		✓	✓	
Ultratech Cement Ltd			✓	✓

DISCLAIMER

Disclaimer:

The investment strategy stated above may change from time to time without any notice and shall be in accordance with the strategy as mentioned in the Scheme Information Document of the scheme. The views contained herein are not to be taken as an advice or recommendation to buy or sell any investment or interest thereto. Diversification does not guarantee investment returns and does not eliminate the risk of loss. They are considered to be reliable at the time of writing, may not necessarily be all-inclusive and are not guaranteed as to accuracy. They may be subject to change without reference or notification to you. It should be noted that the value of investments and the income from them may fluctuate in accordance with market conditions and taxation agreements and investors may not get back the full amount invested. Past performance may or may not be sustained in future. The views and strategies described may not be suitable for all investors. Furthermore, whilst it is the intention to achieve the investment objective of the investment product(s), there can be no assurance that those objectives will be met. Investors are advised to consult their Investment advisors for determining their risk appetite and Tax Advisor before taking any investment decision.

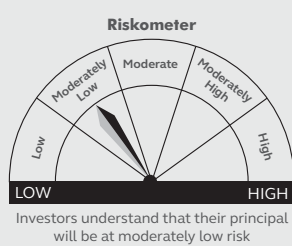
The data/statistics/ comments are given to explain general market trends in the securities market, it should not be construed as any research report/research recommendation.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

Principal Ultra Short Term Fund (An open ended ultra-short term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 months and 6 months)

This Product Is Suitable For Investors Who Are Seeking~

- Income over a short term investment horizon.
- Investment in Debt & Money Market instruments.

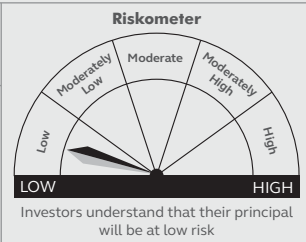


~ Investors should consult their financial advisors if in doubt about whether the product is suitable for them.

Principal Cash Management Fund (An Open-ended Liquid Scheme)

This Product Is Suitable For Investors Who Are Seeking~

- Income over a short term investment horizon.
- Investment in debt & Money Market Instruments, with maturity not exceeding 91 days.

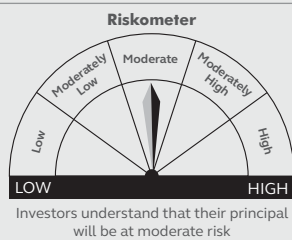


~ Investors should consult their financial advisors if in doubt about whether the product is suitable for them.

Principal Short Term Debt Fund (An open ended short term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 1 year and 3 years)

This Product Is Suitable For Investors Who Are Seeking~

- Income over a medium term investment horizon.
- Investment in Debt & Money Market Instruments.

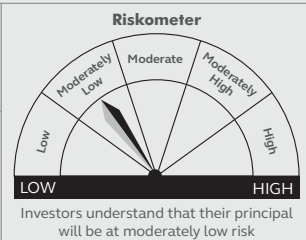


~ Investors should consult their financial advisors if in doubt about whether the product is suitable for them.

Principal Low Duration Fund (An open ended low duration debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 6 months and 12 months)

This Product Is Suitable For Investors Who Are Seeking~

- Income over a short term investment horizon.
- Investment in Debt & Money Market Instruments.



~ Investors should consult their financial advisors if in doubt about whether the product is suitable for them.