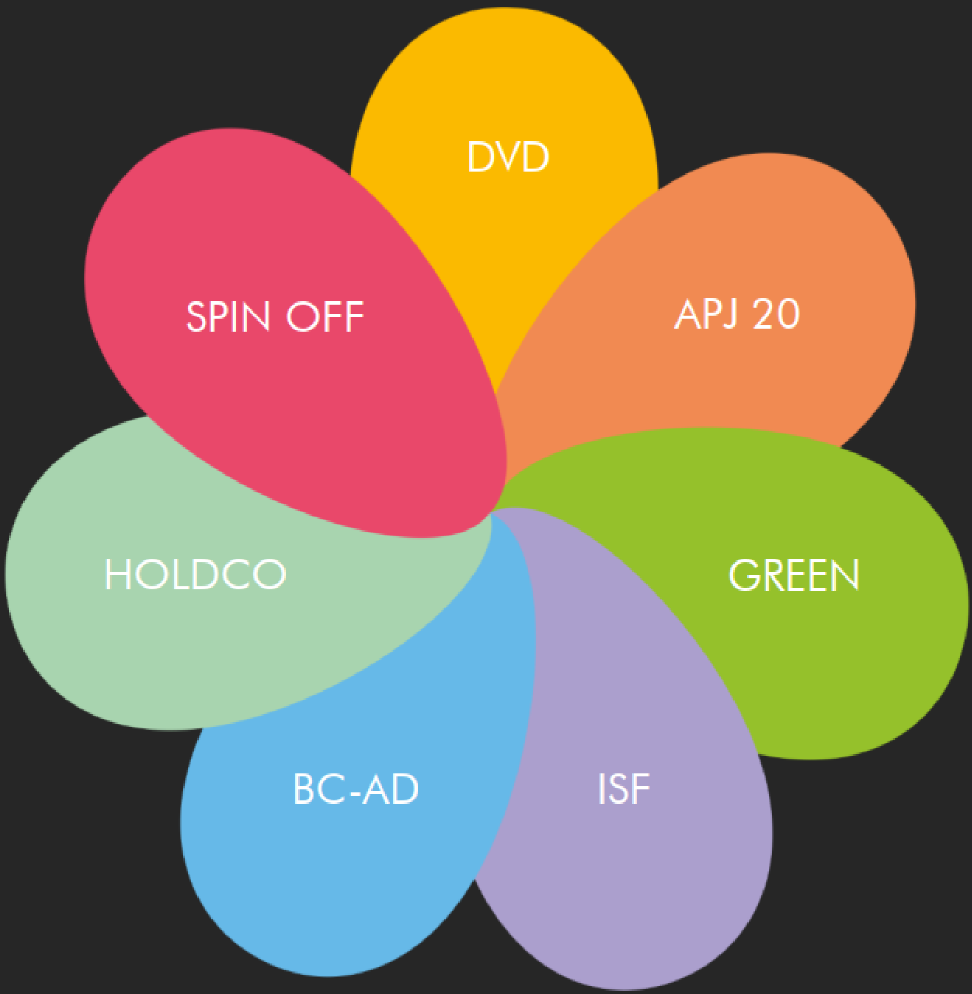


THE BLEND FUND

5th Quarterly Review - July, 2020

Executive Summary

Unifi Capital actively manages seven bottom up equity strategies that sift through opportunities across the breadth of the market. The mandate is to participate in opportunities that arise from: *a mix of emergent themes, corporate actions and attractiveness of core fundamentals*. Our objective is to deliver superior risk adjusted returns from an absolute perspective. Investments under the Blend fund have accordingly been cherry picked from across 6 distinct funds. In effect, the endeavor has been to identify *"the best of our best".*

Each of our investments is a function of rigorous bottom up evaluation, and a common thread that runs across each of them may be characterized as follows:

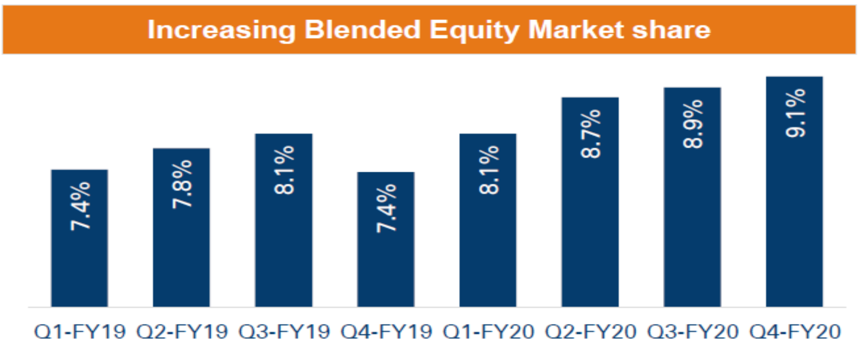
I. Leader in its industry
II. Privy to fundamental tailwinds
III. Strong leadership teams with track record of execution
IV. Good corporate governance and financial discipline
V. Insulated from disruption for foreseeable future

In the course of our primary diligence and investment, we have engaged with the managements of all our investee companies in addition to secondary channel checks to triangulate our thesis. The first four communiques sent in May, September, November & March detailed our thesis on 12 investments (Crompton Consumer| Bank of Baroda| Himadri in May '19, Suven| Intellect| Equitas in Sep '19, Garware| VIP| Muthoot Finance in Nov '19 and Aarti Drugs| Sheela Foam| Can Fin in Mar '20). Similarly, we have shared the rationale on three of our holdings in this note to you.

ICICI Securities

ICICI Securities (I-Sec) is a leading tech-based securities firm offering a range of financial services including brokerage, financial products distribution and investment banking, with a focus on both on retail and institutional clients. As of March 2020, the proprietary electronic brokerage platform ICICI Direct had ~47.7 Lakh accounts of which about 14.8 Lakh had traded on NSE in last 12 months. I-Sec is also the second largest non-bank distributor of Mutual Funds with an AUM of Rs.36,200cr. It is amongst the largest wealth managers in the country with an AUM of Rs.83,000cr.

Over the past few quarters, the management has undertaken several customer friendly measures such as 1) offering a custom brokerage package, 2) enabling non-ICICI bank to sign-up, 3) providing access to financial products such as loans & insurance and 4) unveiling a fully digital paperless process to sign-up customers remotely. These initiatives are helping I-Sec increase its active client base and withstand the high competition from discount brokerages, while improving the cost efficiency across the board.



Source: Company

Last year, I-Sec rejuvenated its relationship with ICICI Bank through an incentive scheme for the RMs of the bank. Under the scheme, RM's receive a share of the brokerage income generated by the clients introduced by them to the I-Sec platform. This ensures that bank RMs proactively onboard high-quality customers with a potential to generate high brokerage. Post this arrangement with ICICI Bank, the quality of the new clients has improved leading to an increase in activation rates.

The share of financial savings of Indian households is low at just 5% with physical assets and gold forming a majority of the savings today. Increasingly, households are warming up to equities as an important asset allocation in their overall savings. Over the past 5 years, the number of demat accounts at CDSL and NDSL grew at a CAGR of 17% and 8% respectively to reach 2cr each, testifying the increasing appetite for Equity investing. As this structural trend unfolds over the next few years, I-Sec will be a key beneficiary given its strong leadership position and ability to cater to all the segments of the financial savings space including equity, mutual funds, corporate bonds, fixed deposits, IPOs, loans, etc. We like the business due to its absolute technology leadership, continuing consolidation of user base, high RoE of more than 60%+, and access to ICICI Bank's franchise for customer acquisition. While cyclicality of the equity markets is a key risk in the business, the management has been increasing the share of distribution income (24% of total income at FY 20) to address the same.

Key risks: Prolonged down cycle in equity markets leading to lower turnover, heightened competition leading to loss of market share and/or pricing pressure, abrupt management changes.

United Spirits

United Spirits (USL) is the largest Alcoholic Beverage company in India selling more than 9cr cases per annum. In its earlier avatar the company used to cater largely to the mass end and mid-market with brands such as Mc Dowell and Bagpiper. However, after Diageo Plc acquired a 57% stake, the focus has shifted to growing the premium brands such as Johnnie Walker, Black Dog, VAT 69, Smirnoff and Captain Morgan.

In India, Alcoholic Beverages is a State subject and each State has distinct regulations. To be a successful pan India player, a company needs to build a separate distribution network in every State. As a result, the entry barriers are very high for a new player to create a pan India presence. Nationally, the Alcobev industry in India is dominated by few large players. Given the limited scope for new competition, the well-established players have a huge advantage. IMFL (Indian Made Foreign Liquor) is the largest segment in the Alcobev space and USL is the market leader.

Category of Alcobev	% Share by Value
IMFL	65%
Beer	25%
IMIL	9%
Wine	1%

IMFL Category	Price of 750ml bottle
Popular	< Rs. 350
Prestige	Rs. 400 - 850
Premium	Rs. 1,000 - 2,000
Luxury	> Rs. 2,000

IMFL products can be segregated into four categories: Popular, Prestige, Premium and Luxury. USL has products across categories; however, the sales of Prestige and above segments have been increasing at a faster pace. This is an outcome of consciously changing the business model over the last few years to focus on the more profitable categories. Today, "Prestige & above" segments form 67% of revenue vis a vis 54% in FY2016.

Prestige & Above Segment	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
As a % of total volume	54%	59%	63%	66%	67%

Post Diageo taking over the company, optimization of the cost structure has been a key priority. Accordingly, it started franchising its 'Popular' brands across few states. The franchisees are responsible for manufacturing and distribution of the franchised brands in their respective states against a royalty. Accordingly, their EBITDA margins have seen a significant improvement. The closest competitor to USL and the second largest player in IMFL industry, Pernod Ricard has an EBITDA margin in excess of 20% as it sells only Prestige & above brands in India. Over next few years, as the Prestige and above segments form a larger percentage of USL's revenue, the margins are expected to improve.

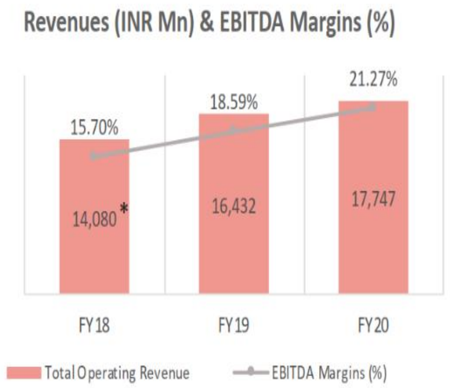
	FY 2017	FY 2018	FY 2019	FY 2020
EBITDA Margin	11.4%	12.5%	14.3%	16.6%

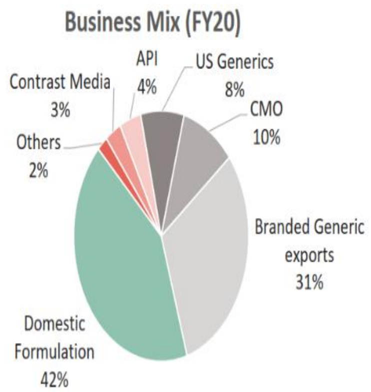
In India, about 15% of the population (aged>15 years) consumes alcohol. Consumption is considerably lower among women (1.2%) as compared to men (29.2%). Given a low per-capita consumption, there is significant opportunity for multi-year growth. Simultaneously, increasing consumption among women and younger populace is driving premiumization. The twin engines of volume growth and premiumization can lead to compounded growth in earnings for United spirits, which has reduced its debt considerably from Rs. 8,000cr in FY14 to Rs. 1,800cr in FY20. With a D/E ratio of 0.5x, the company delivered a RoE of 20% in FY20 and we anticipate it to improve further over the next 3-5 years.

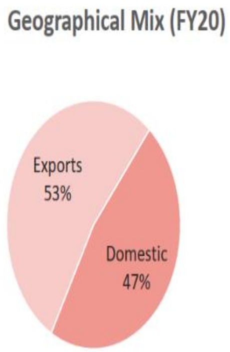
Key risks: Steeper than anticipated tax hikes from the governments, sharp inflation in the raw material prices and extended lockdown that can impact sales & consumption at bars/restaurants/parties.

JB Chemicals & Pharmaceuticals

J.B Chemicals and Pharmaceuticals (JB) was incorporated in 1976 under the chairmanship of Mr. J.B Mody. It has established major brands in India and globally, with presence in >20 countries. In India, the formulations business of the company is 42% of revenues and has 4 large brands across Cardiovascular, Gastrointestinal and Anti-Infective therapeutic segments; and is ranked 34th by revenue as per IQVIA & ranked 19th on the basis of prescriptions. Branded generic exports catering primarily to CIS, Russia, Middle East and South Africa forms about 31% of revenue. In the Contract Manufacturing business, which is 10% of revenue, it manufactures a wide range of generic formulations across different dosage forms like tablets and capsules, creams and ointments & lozenges and liquids. The US Generics business of JB is a B2B business in partnership with Rising Pharma on a cost + model. They have 8 commercialized products, each with a revenue of ~ $2.6 Mn.







Source: Company

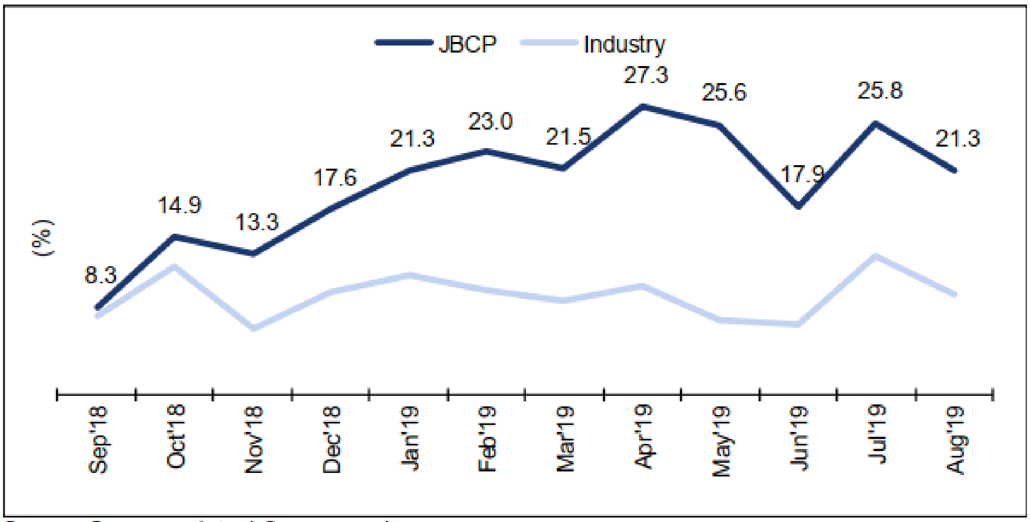
In FY 2012, JB had sold its OTC business in Russia and CIS to Johnson & Johnson for Rs. 938 Cr. The company consolidated operations for next 3 years as it navigated the 2013 NLEM implementation in India. From FY2016 onwards, the company renewed efforts to cement the leadership of its key Indian brands (Cilacar

| Nicardia | Rantac | Metrogyl) by launching variants and adding marketing representatives (MRs) to increase penetration. The increase in employee count by 2000 over FY15 to FY19 was in large part due to addition of about ~1500 MR's.

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019
Permanent Employees on Rolls	2844	3454	2425	2480	2158	2734	3506	3772	4187

With the momentum from MR addition playing out, over the last couple of years JB grew faster than the Indian pharmaceutical market. As the MR productivity for JB at Rs. ~3.8 Lakh/ month is less than the industry average of Rs. 5 Lakh/ month, the full benefits of MR addition are yet to playout.

JCBP growth *vs* industry growth



Source: Company data, I-Sec research

In FY20, JB expanded its CMO (contract manufacturing operations) business and it currently operates at 40% utilization. Currently at 10% of revenues, CMO has the potential to power growth over the next few years. In the African business, the shift in mix from tender market towards private market shall drive the margin expansion. The US formulations business shall be grown in a calibrated way through filing of 1-2 ANDA's each year.

We expect JB to grow revenues at a healthy rate of 11-13% and with steady rise in margins, earnings growth is expected to be strong. With RoE of 18%, strong balance sheet and industry leading growth, several marque Private Equity funds evinced interest in taking control and the promoters have decided to exit. PE firm KKR is in the process of acquiring control of the company and the transaction is to be completed by September '20. While we invested in JB before this corporate event, we continue to evaluate the implications of KKR taking over and remain invested.

Key risks: Failure of the transaction by KKR, renewed concerns over safety of Rantac, regulatory changes, prolonged economic weakness and supply chain disruptions can impact the supply and demand of drugs.

Q4 FY20 | Result Updates

Suven Pharma	Suven Pharma Limited (demerged entity) delivered numbers that were as per expectations at the standalone level and above expectations at the consolidated level. Due to the nature of R&D projects billing that could vary among quarters, we typically look at the annual progress rather than quarterly results. In FY20, Revenues were up 29% YoY and EBIDTA was up 47% YoY due to margin expansion from favourable business mix and no drug discovery R&D costs post demerger. PAT growth was an impressive 90% YoY abetted by Rs.48cr share in profits from its associate company Rising Pharma. Further business synergies with Rising Pharma that will help shore up Suven's formulations segment is underway. SPL revenues arise from contract research services, commercial scale intermediate supplies and select specialty chemicals sales. SPL looks to move into APIs as well as formulations and is building capacities in this regard. Management bandwidth and no new research orders in the COVID affected Q1FY21 are the key concerns.
Muthoot Finance	On the back of liquidity flows being reinstated, the Gold AUM delivered growth of 22% YoY and 8% QoQ to end at Rs 41,611cr at March 2020. On the back of higher gold prices, yields were higher at 23.5% in Q4 FY20 as the company collected excess interest on delayed payments (similar to Q3 FY20). On the other hand, the cost of funds fell by 46 bps sequentially to 8.73% at March 20. As a result, NII was up by a strong 29% YoY to Rs.1,581cr. Overall, PAT of the gold loan business was up 59% on a YoY basis at Rs.815cr in Q4 FY20 and their consolidated PAT was up 52% YoY at Rs.836cr. For the full year, the PAT was up 51% YoY to Rs 3,169cr. Muthoot Finance is the largest gold financing company in India with a network of over 4,480 branches spanning 27 States & UTs. It has a long track record in the gold loan sector with operations dating back to 1939. The company has about Rs.41,600cr of retail gold loan AUM as on March 2020. With an average loan size of Rs.50,800 and comfortable LTV of around 58%, the company has adequate cushion to withstand any volatility in gold prices. Rated AA/Positive by CRISIL, the company has a strong capital adequacy ratio of 25.5%. We expect the company to record steady earnings growth of around 10-12% over the next couple of years. Overall, we like the business due to (A) the low risk gold loan business with high NIMs and extensive branch network; (B) well diversified borrowing profile with good access to bank funding, public NCDs, commercial paper and other wholesale channels of funding and (C) it's high capital adequacy along with high RoE which obviates the need for equity dilution. Key risks would include sharp rise in NPAs especially in the subsidiaries and increasing competition within the segment leading to decline in NIMs.
Aarti Drugs	Aarti Drugs Limited (ADL) reported EBIDTA and PAT growth of 29% and 123% YoY respectively due to better price realisations, product mix, operating leverage efficiencies, lower borrowing costs and tax savings. Revenues however declined marginally at 2% YoY, due to the stringent implementation of the lockdown in the last week of March. Although Pharmaceutical companies were exempt, exports were affected due to non-availability of transportation facilities, in the initial days of lockdown. ADL is currently (Q1FY21) operating at 70% of its capacity due to restricted availability of manpower. This will have its due impact in Q1FY21 numbers. However, price realisations have gone up further and hence margins will remain at current levels of 15% despite increase in COVID-19 related additional costs and fall in production levels. Considering the increasing demand for

	APIs and manpower availability improving, the prospects for growth in FY21 (70% volume growth and 30% price growth) remain strong, despite the likely dip in Q1FY21. Valuations are reasonable even after the recent rise in prices (18x FY-20 earnings and 16x FY-21e) notwithstanding the impact of the pandemic, while their capital efficiency has strengthened this year (>20%). Delay in formulations product approvals from regulators and any environment / safety related API specific bans are the key risks.
Garware Technical	Garware reported a topline decline of 13% YoY to Rs.253cr, partly due to the impact of COVID, and in part due to softness in core demand for nets and industrial products. The fall in revenue is steeper than our expectations of low single digit degrowth. However gross margin improved by 3.6% YoY and other expenses fell sharply on back of which EBIDTA grew 8% YoY to Rs.55cr. Margin gains primarily accrued from the Synthetic Cordage division, which has the majority of the value-added products. Weak sequential performance in Fibre and Industrial products division indicates that the business which was delayed in H1 due to elections hasn't got back the momentum which the company had guided for. Key risks: fall in price of Salmon, sharp rise in Crude Oil, prolonged economic weakness and failure of newer innovative products to garner market share.
Crompton Greaves Consumer	Crompton Consumer had Q4-20 shaping to their best ever operating quarter. In the Fans segment, which is 40% of their revenues, they delivered 21% in volume growth in Jan and Feb of 2020, which is significantly higher than the industry and indicative of the strength of their franchise. The B2C LED segment grew 35% in volumes and appliances grew at 48% in Jan and Feb (small but growing base) while domestic pumps also did well with 19% YoY growth. The last three weeks of March are a significant stocking season for the industry, and this was completely lost as a result of the COVID induced lockdown, on the back of which, revenues and earnings were down 16% and 12% to Rs.1,026cr and Rs.102cr respectively. At a margin level, significant cost savings and normalcy in LED pricing resulted in sequentially better margins. Employee costs were lower by 10% QoQ and going forward other areas of operating expense are likely to be down materially. The company has apparently identified Rs.100cr of incremental cost savings for FY-21 at the COGS and Opex level which can potentially benefit margins by 200bps incrementally. Going forward, since the 3rd week of April, all the factories have reopened and the pace of normalization has been reasonable. Crompton is amongst India's most profitable and efficient players in the durables space with best in class growth, margins and capital efficiency. We expect them to benefit from the current phase of consolidation. Key risks to the investment could emanate from drop in consumer purchasing power translating to lower sales of consumer durables.
Sheela Foam	Sheela Foam reported 13% de-growth in revenues in Q4FY20 due to COVID related disruption which led to a loss of Rs.70cr in revenues. For the full year, revenues were down by 3% YoY, to Rs. 1,755cr. Gross margins improved YoY from 46.1% to 49.8%. EBIDTA margins improved by 280bps YoY. The EBITDA increased by 23% YoY to Rs.224cr in FY 20. Overall, the standalone PAT was up by 33% YoY in FY 20 to Rs.166cr while the consolidated PAT was up by 45% YoY to Rs.194cr. Incorporated in 1971, Sheela Foam is one of the leading manufacturers of mattresses in India marketed under its flagship brand 'Sleepwell'. The company also manufactures other foam-based home comfort products as well as technical grades of polyurethane foam (PU Foam) for use in a

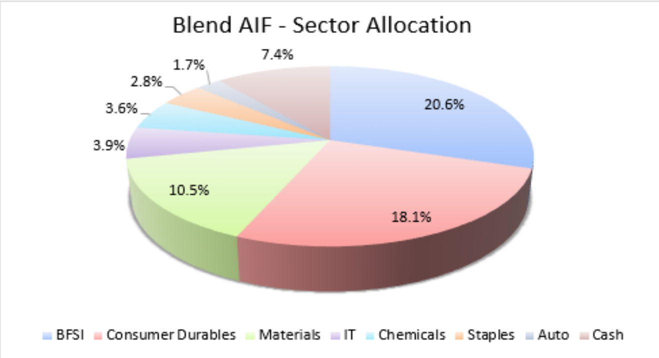
	wide range of industries. The Indian mattress market is about Rs.10,000cr in size of which 65% is unorganized. It is expected that pure branded mattresses as a portion of consolidated revenues will go up from 36% in FY18 to 41% by 2023. We like the company due to its net debt free status with a RoE of 20% and an industry leading market share of 23%. The company has also launched low-priced brands 'Starlite' and 'Featherfoam' to take on the unorganized players. Key risks for the business would arise from higher raw material costs, intensive competitive pressure leading to loss of market share and slump in discretionary consumption spends.
J B Chemicals	JB Chemicals delivered topline growth of 6% YoY at Rs.444cr and operating margins expanded by 5% YoY, on the back of which EBIDTA grew 40% YoY to Rs.92cr. In FY-20, this was among the fastest growing pharma companies in the domestic formulations market with a growth of 18%. Post the Q4 results, the company announced a deal whereby Private Equity firm KKR would be taking over the company from promoters at a price of Rs. 745/Share. Eventually, KKR is shall own between 54% and 64.9% of JB. It has been indicated that the current promoters of JB are likely to continue playing a role, albeit a smaller one. Also, depending on the number of shares tendered in open offer, the existing promoter might continue to hold an estimated 5-10% of the company as compared to the current stake of 55.9%. Key risks: prolonged economic weakness and supply chain disruptions that can impact the supply and demand for drugs, failure of KKR transaction and regulatory changes.
Can Fin Homes	Canfin Homes delivered loan book growth of 13% YoY and 3% QoQ at Rs.20,708cr., while increase in spreads resulted in the NIM improving to 3.52% from 3.42% in Q3 FY20. Their asset quality improved sequentially to 0.76% from 0.8% at Dec 2019, which is still the lowest in the HFC sector. The management expects the GNPA to increase in Q2 FY21 post which they are confident of getting back to previous levels by Q4 FY21 on the back of their collection efforts. In line with the loan growth and improved spreads, the NII was up 33% YoY. The company made a special provision of Rs.41cr in Q4 FY20. Despite this high provision, the PBT was up 2% YoY at Rs.119cr. For the full year, the PPOP was up 24% YoY, PBT was up 10% YoY at Rs.518cr and PAT was up 27% YoY at Rs.376cr due to lower tax rate. The salaried class continues to form 71% of the loan book while non-salaried segment formed the rest with builder loans constituting 0.03% of the book. Housing loans formed 95% of the book, and LAP constitutes the remainder 5%. The moratorium related AUM is 29% of the overall AUM, with higher share of self-employed due to the disruption to their earnings from the lockdown. Most of the customers are first time home buyers with property meant for self-occupation, on the back of which we believe defaults will generally be low. Capital adequacy is strong at 22.2% and the management might look to raise capital in FY 21 as and when the market conditions improve. Key risk: worsening economic conditions and the subsequent pressure on asset quality and higher credit costs.
ICICI Securities	ICICI Securities reported a good quarter, with the broking segment increasing its market share in Equity ADTO to 9.1%. About 90,000 clients were added in Q4 FY20 taking the total count of clients to 4.77mn. The distribution revenues grew 2% YoY driven by growth from insurance and fixed income products. The focus in FY 21 would continue to be on rationalization of human resources and push to digital initiatives. The PBT was up 10% YoY at Rs.208cr on the back of lower costs. Overall, PAT for the quarter was higher by 28% YoY at Rs.156cr in Q4 FY20. For FY 20, while revenues were flat at Rs.1,725cr, PAT was up by 10% YoY at Rs.542cr driven by improved traction in 2H FY20 and lower tax rate. I-Sec is a leading tech-based securities firm offering a range of financial services including brokerage, financial products distribution and investment banking, with a focus on both on retail

	and institutional clients. As of March 2020, the proprietary electronic brokerage platform ICICI Direct had approx. 4.77 Mn operational accounts of whom about 1.48Mn had traded on NSE in last 12 months. I-Sec is also the second largest non-bank MF distributor with an AUM of Rs.362bn. We like the business due to its absolute technology leadership, continuing consolidation of user base, high RoE of more than 60%+, and access to ICICI Bank's franchise for customer acquisition. Key risks would arise from a prolonged down cycle in equity markets leading to lower turnover, and heightened competition leading to loss of market share and/or pricing pressure.
VIP Industries	VIP reported a 28% drop in revenues due to the lower travel-based demand in Q4-FY20. This led to a PBT loss of Rs.27cr for the quarter. For the full year, the company reported revenue degrowth of 3.7% YoY. Gross margins improved to 58% from 48% last year as the company increased its procurement from its plant in Bangladesh (which has lower duty), higher share of hard luggage and lower raw material costs. Due to negative operative leverage, EBIDTA margin for the quarter was 10.2%, compared to 16% recorded in Q3 FY20. Overall, the PBT was Rs.10.5cr in Q4 FY20 and the PAT was Rs.9.5cr during the same period. For the full year, the PAT (adjusted) was Rs.144cr, almost same as last year. VIP's products are sold through a chain of traditional retailers, in hypermarkets, online portals and the CSD (defense) network via more than 10,000 retail sale points. VIP procures 50% of its products from China, and has five manufacturing plants in India and one in Bangladesh. The company dominates the luggage industry with a share of 40% in the organized segment. The ongoing demand disruption is expected to weigh heavily on marginal players who form the unorganized segment of the industry. While VIP might witness a sharp drop in demand in FY 21, it will emerge with a higher market shares thanks to its lighter balance sheet, deeper distribution network and in-house production facility in Bangladesh. Key risks would be disruption in domestic travel, depreciation of INR, loss of market share due to intense competition, disruption in the supply chain from China and sustained slowdown in consumption.
United Spirits	United Spirits reported revenue decline of 12% YoY to Rs.1,994cr during the quarter as the lockdown impacted their dispatches. The PBT decline has been 15% YoY to Rs.161cr due to higher RM prices which impacted the gross margins (down by 430bps YoY). For the full year FY20, the revenue was almost flat at Rs.9,091cr while the PBT was up by 15% to Rs.1,135cr. Alcobev has high stickiness and the volumes here are generally not impacted by a cut in discretionary spending. H1 would be weak for the company as bars and pubs are yet to open but as conditions normalize, the company is expected to continue its trend of premiumization and gain market share. Better Rabi harvest and lower demand for ENA from OMCs should result in benign raw material prices for the company. For the past couple of years, USLs management has emphasized on keeping cost structure tight, and in times like this, we expect management to deliver on this. We continue to be positive on Alcobev consumption in India given the potential of volume growth and trends in premiumization. Key risks: Steep increase in taxes, higher raw material prices and regulatory interference from State Governments.
Intellect Design Arena	Intellect had significant ramp up in licensing Q4 revenues of Rs. 101cr (up 6% YoY) vs an average of Rs.60cr reported in the last three quarters. AMC revenues were up 11% YoY while IT Services were down 21%, on the back of which revenues for the quarter were down 10%. The company delivered sharp pull back in EBIDTA, up 23% YoY, on the back of organic reduction in expenses. This was primarily driven by reducing and optimizing the employees in delivery and significant automation.

	Overall, in FY20, revenues came in at $191m vs $208m in FY19. License and services delivered -22% and -11% YoY but saw good growth in AMC (+11%) which is expected to continue growth in coming year. Cloud (+47%) witnessed high growth but on a smaller business base. The company's end-user base is seeing a shift in consumption patterns as they move from in-premise installations of software to cloud-based applications. From an earnings perspective, the cloud-based model is lucrative in the long run, as it provides the company with annuity revenues. Given the significant reference ability of global installations around the world, we believe over time Intellect will see the conversion of deals from pursuits to closure. Such events are and will continue to be binary and lumpy in the future as well. Intellect is one of the leading providers of consumer and transaction banking solutions to mid-sized banks around the world with a track record of tier-1 customers around developed and emerging economies. Product revenues are usually lumpy in nature, and large deal closures are binary events. Given the pace of product consumption by the banks and financial systems around the world, Intellect is expected to report license wins in the current environment as well. Over the rest of the year, the company is expected to improve its operating margins from automation initiatives in delivery of their products. Key risks: Long sales cycles, and delays in discretionary expenditure by their clients. It is important to note that product sales cycles are binary sales and conventional metrics of earnings metrics over the short term is not the right measure of performance.
Sonata Software	Sonata delivered revenue growth of 11% YoY, at $44mn while EBIDTA fell -1.7% YoY and PAT was down -5.5% YoY. In their IT services segment, they de-grew by -5.1% QoQ and this is the first drop in sequential growth in the last 12 quarters, driven by COVID related disruption. For the full year, IT services grew revenues by 12%. The sub-segments that led the degrowth was travel, led by the disruptions to the sector in Europe. Coming off a strong base of sales in Q3, the product reselling business continued to do well, growing 13% YoY to Rs.607cr. We believe that the issues surrounding the European travel industry are transient and normalcy will eventually return, as indicated by their bookings for 2021. Key risks: Slower than expected economic recovery in Europe and cuts in discretionary IT spends by enterprise clients.
TVS Srichakra	On the back of poor economic sentiment that has affected two-wheeler sales, TVS Srichakra' s revenues for the quarter fell by 28% YoY to Rs.431cr. The fall is higher than our expectation of YoY sales degrowth of 15-20%. As the operating leverage played out negatively, absolute EBITDA has fallen by 42% YoY to Rs.34cr. Further, higher depreciation and interest cost led to PBT of Rs. –7 Cr as compared to 24 Cr in Q4FY19. The fortunes of the company are linked to the 2-wheeler Industry and improvement in 2-wheeler sales would be the precursor to improvement in TVS Srichakra' s performance. Key risks: prolonged economic slowdown and weak demand sentiment around 2 and 3-wheeler sales, spurt in raw material prices and high competition.

Key Portfolio Metrics

The following schema illustrates the broad sectoral and thematic allocation for the Blend Fund.



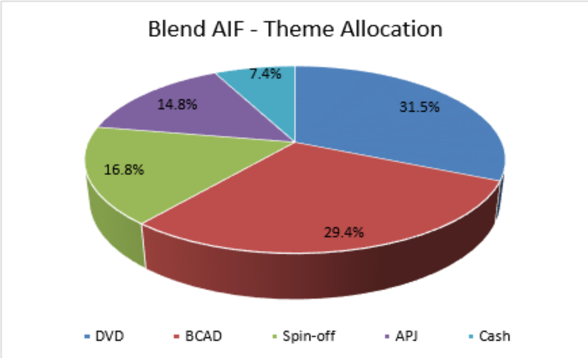


Exhibit 1: BLEND AIF allocation as on 30th June 2020

It is important to note that each investment in the fund has been made on its own merit and the portfolio characteristics are merely a by-product of the process. In sync with Unifi's philosophy, the aggregate portfolio has low leverage, demonstrates potential for strong earning's growth and has reasonable valuations.

Valuation Parameters (As on 15st July 2020)	FY2019	FY2020
P/E Ratio *	30.9	23.6
Earnings Growth *	22.3%	32.1%
Debt Equity Ratio	0.23	0.19
ROE %	24.8%	25.9%
PE/ Growth Ratio	1.4	0.7

**Adjusted for one-off to make figures representative*

We are continually monitoring the environment for any opportunities that have potential to materially improve the portfolio composition. We will be writing to you again in September with updates on the fund.

In closing, we encourage you to write to us, or your relationship manager for a detailed review of the portfolio and understanding of our proposition in greater granularity.

With best wishes,

K. Sarath Reddy | Founder & CIO
Anand Bhavnani | Fund Manager – Blend AIF

Annexures:
Financial Details of Portfolio Companies

(Rs. in Cr)	Sales*		Operating Profit #		PAT		D/E Ratio	ROE	Portfolio Weight
Company	Q4 FY20	FY 20	Q4 FY20	FY 20	Q4 FY20	FY 20	FY 20	FY 20	
SUVEN PHARMA^	190	852	82	403	74	317	0.2	37%	14.71%
MUTHOOT FINANCE	1,699	6,245	1,107	4,073	836	3,169	NA	29%	12.03%
AARTI DRUGS	450	1,806	71	262	59	142	0.6	22%	11.19%
GARWARE TECHNICAL	253	953	55	178	36	141	-	18%	10.54%
CROMPTON CONSUMER	1,026	4,520	141	599	102	443	0.2	35%	7.79%
SHEELA FOAM	504	2,174	74	300	32	194	0.2	20%	6.09%
J B CHEMICALS	444	1,775	92	378	50	272	-	18%	5.51%
CAN FIN HOMES	188	675	163	588	91	376	NA	19%	4.31%
ICICI SECURITIES	482	1,725	266	915	156	542	-	48%	4.23%
VIP INDUSTRIES	311	1,718	32	291	10	144	0.1	24%	4.19%
UNITED SPIRITS	1,990	9,325	248	1,572	50	624	0.5	20%	2.82%
INTELLECT DESIGN ARENA	360	1,351	64	75	41	16	0.2	2%	2.10%
SONATA SOFTWARE LTD	326	1,272	72	213	45	277	-	38%	1.78%
TVS SRICHAKRA	431	2,104	34	215	24	82	0.3	11%	1.65%

* In case of financials (Muthoot & Can Fin) instead of Sales, Net Interest Income (NII) has been reported
\# In case of financials (Muthoot & Can Fin) Pre-provision Operating Profit (PPOP) has been reported
^Financials for Suven Pharma are only for CRAMS division and adjusted for corporate event in Jan 2020

Information on Fund Risk Management

Risk	Mitigants
Coronavirus Impact	The impact from the ongoing Coronavirus outbreak in India and rest of the World can be multifold. The lockdown related slowdown in consumption can affect several sectors. How long it takes for sentiment to return to consumers remains to be seen. While a second wave of infections cannot be ruled out, we believe our investee companies have the product and category leadership along with the financial wherewithal to withstand a temporary phase of demand slowdown.
Geo-political risks	The Galwan incident at the Sino-Indian border has increased tensions on both side of the LAC. Even though talks are continuing though the diplomatic channels, both the countries have mobilized troops close to the border. Any flare up can escalate into a full-scale military action between two of the biggest armies of the world, and disrupt supply chain in the region.
Raw material inflation	India continues to be dependent on the supply of feedstock whose pricing is global in nature. Key categories here would include crude, metals, minerals, and natural commodities. Sharp movement in their underlying prices may have a financial impact on the companies. The situation in China (Corona virus and political) has the potential to disrupt the supply chain of a few of our investee companies.
Liquidity risk (in case of NBFCs)	The NBFC led liquidity crisis in India has had a systemic effect on the entire economy. Our investee companies have been able to tap diversified sources of liquidity on the back of their long-term track record of comfortable asset quality and asset-liability-management (ALM). However, sustained deterioration of the asset quality cycle can continue to affect our holdings in Banks and NBFCs.

Foreign Exchange risk	The foreign exchange system continues to be guided by global developments spanning Brexit, US-China trade war, OPEC related developments, and other geo-political issues. Investee companies can be subject to sharp movements in USD, EURO or GBP. They mitigate the same via hedging, but there remains a portion of revenues that continue to be subject to the vagaries in FX movements.
Leverage risk	Except for the financial companies, most of the operating companies in the strategies carry nil to moderate debt on their balance sheets with a track record of having managed leverage well in the past. Their leverage is monitored regularly.
Technology Obsolescence	Technological changes can render the products/services of a company obsolete and thereby hurt its profitability and valuation. Such a risk is generally minimized by limiting the aggregate exposure of portfolio to such investments to less than 10% of value.
Governance risk	We avoid investing in companies with a known history of corporate governance issues. Further, in case such issue arises in an existing investment, we stop additional purchases and start optimally exiting the investment.
Concentration risk	At the portfolio level, such risks are minimized by limiting the aggregate exposure of portfolio to such investments to less than 10% of value at the time of investment.
Stock Illiquidity risk	High Impact cost, due to thin trading at the time of buying or selling is endemic to small & mid-caps. We plan our investment decisions, size of the investment and trading strategies to minimize the costs due to illiquidity.
Risk of Key Personnel	This represents loss of one or more key personnel of the Fund Management team who are responsible for managing the Fund's portfolio. The process of investment and fund management is institutionalized and hence procedure driven. This reduces the risk of loss of key personnel.
Liquidity Risk	This represents the possibility of not honouring redemptions upon closure of fund due to illiquidity of the portfolio. Also, it is possible that the realized price from selling the security might be lesser than the valuation price as a result of illiquid market. The Fund would ensure that at a significant portion of its investments can be liquidated at prevailing market prices.
Price Risk	Stock markets are volatile and may decline significantly in response to adverse issuer, political, regulatory, market or economic developments. Different parts of the market and different types of equity securities may react differently to these developments. For example, small cap stocks may react differently than large cap stocks. Issuer, political or economic developments may affect a single issuer, issuers within an industry, sector or geographic region, or the market as a whole. Unifi AIF 3 – BLEND Fund adopts a bottom up approach towards investing. Also, various macro events and its implications are considered to reduce the overall negative impact on portfolio.
Loss of Capital	All investments in securities present a risk of loss of capital which is an outcome of various events like macro events or something internal to the company. The Fund would seek to moderate this risk of loss of capital through a careful selection of investments.