



## Resilience Of The Indian Consumer

After an unusually long run of beating expectations, the Indian reporting season was somewhat disappointing on a broad basis. The consensus is that last quarter was a particularly slow one for Indian growth, as confirmed by the GDP number of 5.4%.

There are some reasons for this, predominantly weak government infrastructure spend, which does not seem to have regained its mojo post the election in May. This comes perhaps as new budgets and targets are established, and while the government is keen to improve the fiscal deficit, the current trajectory looks too steep. Given the underspend, it would not be unreasonable to see this accelerate in the second half of the fiscal year.

The real problem areas for results were in Cement, Steel and Oil & Gas companies, none of which we would own, and which were sharply negative. While fiscal restraint was partly responsible, we also suspect that increasing amounts of excess product in all these commodities is washing up on India shores from China.

The more consumer orientated sectors where, as you would expect, significantly more resilient. We have always focussed on companies, and particularly consumer businesses where we find much more consistent growth. For our portfolio of 11 stocks in India, our average revenue growth for the third quarter versus the same period last year was 32.6%. Average EPS growth was 110.4%, albeit a rather meaningless number which includes plenty of “noise” as quarterly numbers always do, but certainly not much sign of slowdown here. The portfolio also includes food delivery and quick commerce leader, Zomato, which has only recently broken even. But we were thoroughly encouraged by its revenue growth number which was in excess of 30%. The success of companies like Zomato illustrates the importance of being able to adapt to changing consumer needs as the country’s digital transformation continues.

We believe a likely rebound is coming in the second fiscal half and there are still plenty of very reasonably priced growth companies to be found if you know where to look.

## Biography

**Rob Brewis** | Investment Manager



Rob, who joined Aubrey in 2014, is a Director and Fund Manager of the GEMs strategy.

An engineering graduate from Cambridge University, Rob began his career in 1988 at Thornton Management in London. Then he spent ten years in Hong Kong as an Asian fund manager with Credit Lyonnais International Asset Management. This company was later bought by Nicholas Applegate and then Colonial First State, where Rob ran the North Asian investment team as well as managing the Asian Special Situations Fund and a number of single country funds investing in India, Pakistan, Indonesia and Thailand.

He then went on to co-found emerging markets investment boutique BDT Invest LLP in London in 2000. Whilst at BDT, Rob co-managed a number of emerging market portfolios as well as the BDT Asian and Oriental Focus Funds.

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