



Stewart Investors
Sustainable Funds Group

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Indian Subcontinent Sustainability Strategy

Investment rationales

31 December 2020



Investment terms

View our list of [investment terms](#) to help you understand the terminology within this document.

01. Aavas Financiers - Founder Sushil Agarwal is the CEO and the largest individual shareholder owning 4%

Company profile:

Aavas Financiers is an affordable finance company focussed on low and middle income communities.

What we like:

- Aavas Financiers, is a bottom of the pyramid mortgage finance company set up in 2011 by Sushil Agarwal, who continues to steward the company today.
- Aavas lends mostly to the self-employed in rural and semi urban India at an average ticket size of USD 12,000.
- Aavas is built on the foundations of a conservative lending culture and a strong balance sheet.

Risk:

We believe that risks for the company include dilution to their risk culture and political/government interference.

Relevant Sustainable Development Goals:



Aavas provide affordable and accessible finance which is central to the sustainable development of many of the regions they operate in.



Mortgages in rural and semi urban India are still a nascent stage with limited competition and Aavas is well positioned to benefit for decades serving this community.

Areas for engagement:

- Gender diversity particularly in senior management.

02. ABB India - ABB India is stewarded by their multinational corporation parent, ABB, who continue to own 75% of this subsidiary

Company profile:

ABB India is a leader in electrification, robotics, and automation products in the country. The company provides critical infrastructure products for a wide range of end industries such as manufacturing and transport.

What we like:

- ABB India's parent company is a technological leader in the fields in which they operate, and the Indian subsidiary continues to benefit from this parentage.
- Refocused on quality growth in robotics, automation, and electrification, ABB India has a long runway to grow in an underpenetrated market with structural tailwinds around moving to better technology.
- A robust balance sheet and steady cash generation provide additional comfort here in a cyclical industry.

Risk:

We believe risks to the company relate to sales to government bodies through large infrastructure projects.

Relevant Sustainable Development Goals:



ABB India's mobility and electrification products are necessary in building out sustainable infrastructure.



ABB is at the leading edge of technological development and innovation in the areas in which they operate.

Areas for engagement:

- A transparent explanation of technology/royalty payments to the parent.
- Improved diversity across the Board and management.

03. Asian Paints - Founding families own 53% of the company

Company profile:

Asian Paints is the leading paint company in India. The company was founded in 1942 and has an excellent record of sustainable growth.

What we like:

- Asian Paints leading market share in India's decorative paint market is built upon a formidable combination of strong brand and distribution system, both of which have been developed over the last eighty years. Consumption of decorative paint in India remains significantly underpenetrated relative to developed markets with growth driven by growing household incomes and a strong desire for homeownership.

Risk:

We believe that risks to the company include cyclicalities of the real estate market, founding families falling out and poor capital allocation overseas.

Relevant Sustainable Development Goals:



Diligent initiatives on circularity and recycling. A strong focus on the importance of biodiversity.



Learning enhancement programme on Tablab, a tablet based plug-and-play digital learning lab for government schools.

Areas for engagement:

- Lead paint.
- Gender diversity.

04. Bosch India - Bosch is majority owned by Robert Bosch GmbH, a private foundation with a long term time horizon.

Company profile:

Bosch India provides mobility products, such as powertrain solutions, for automotive vehicles.

What we like:

- The Bosch Foundation has been at the leading edge of new automotive technology for decades, consistently innovating ahead of shifts in the industry.
- Bosch India benefits from this research and development (R&D) focus and, in particular, should benefit from the investment the parent company has made in cleaner technologies for electric vehicles.
- The company should benefit from structural tailwinds of India's transition to more stringent emissions norms and electrification of automotive vehicles.
- A net cash balance sheet through their history is also a safeguard against the cyclicalities of the industry.

Risk:

Emerging competition in EV (electric vehicle) technology continues to be a risk for the company.

Relevant Sustainable Development Goals:



Bosch helps provide necessary innovations around new technology for the automotive industry, and has been at the forefront of the industry for decades.



Reducing fuel emissions and building technologies for electrification of automobiles is essential to the sustainability of cities and transport over the coming decades.

Areas for engagement:

- Cleaning up the corporate structure to ensure all businesses outside of the shared group-wide IT services sit within the listed entity.

05. BRAC Bank - Owned and stewarded by BRAC, the Bangladeshi development organisation, which is the largest non-governmental organisation (NGO) in the world by some measures.

Company profile:

BRAC Bank is a commercial bank in Bangladesh. It is focused on financing the 'missing middle' - small and medium entrepreneurs who need finance in order to scale up their businesses.

What we like:

- Controlled by the world's largest NGO, BRAC, the bank is primarily a lender to small and medium-sized enterprises (SMEs) with an average loan size of \$10K.
- It has a clear social mission of inclusivity and to 'be impactful by being big'; SMEs in Bangladesh make up 99% of all firms and three quarters cannot access formal credit.
- It developed bKash, a mobile payments system which has proved so successful that it is now the world's largest such scheme, enabling millions of people in rural areas without access to bank branches to access simple savings products.

Risk:

We believe risks for the company include unexpectedly high loan losses in times of economic stress, and potential new regulations which could hamper the company's ability to operate profitably.

Relevant Sustainable Development Goals:



BRAC Bank specialises in sustainable lending to the 'missing middle' - SMEs who require access to financing in order to scale up their businesses and create jobs and income in Bangladesh.



bKash is an inclusive mobile money platform operated by BRAC Bank. It is used by over 20m people per day in Bangladesh and widens access to basic financial services.

Areas for engagement:

- Opportunity exists to encourage the company to extend its existing good practice around incorporating sustainability into lending criteria.

06. Carborundum Universal - Stewarded by the Murugappa family whose holding company own 35%

Company profile:

Carborundum Universal is a producer of abrasives, electro-minerals and ceramics. With leading market share in abrasives in India, they supply to a wide range of end-industries such as industrial machinery, construction, and fabrication.

What we like:

- Carborundum Universal has divested many of their unprofitable international operations to focus on their key market in India where they have solid economics based on strong market share.
- With a new leader at the helm and a net cash balance sheet for the first time in 25 years, the company is well positioned to continue deepening their leadership in India and growing into adjacent areas.

Risk:

We believe the environmental externalities of their production process could be a long-term risk. There is also a risk that the company embarks on further acquisitions. We believe that risks for the company include unsuccessful acquisitions

Relevant Sustainable Development Goals:



The products Carborundum Universal produces are required in a variety of end industrial applications. The quality and stability with which these are made helps improve the efficiency of these end industries.



Carborundum Universal has been trialling new ways to reduce the environmental cost of production. 30% of the energy required to run their electro minerals business is generated via their own hydroelectric plant. They have been attempting to broaden the scope of this coverage.

Areas for engagement:

- Better disclosure and transparency on the environmental impact of their businesses.
- Improved diversity on the Board and management.

07. CG Power - 56% owned by Tube Investments, which is part of the Murugappa Group

Company profile:

CG Power make motors and transmission equipment.

What we like:

- A reasonable quality franchise which is now well placed to return to its former glory under the quality stewardship of its new owners Tube Investments (a long term holding across many of our strategies). The company was earlier driven to bankruptcy by its previous owners due to fraud and poor governance.
- A long overdue revival in India's industrial cycle could potentially fast track this turnaround.
- CG Power's products (motors, switchgears and transmission equipment) are crucial to the building and maintenance of key sustainable infrastructure in the subcontinent.

Risk:

We believe that risks for the company include the new owners discovering more skeletons in the closet; and Indian industrial capex growth is lower than expected in the coming decade.

Relevant Sustainable Development Goals:



CG Power provide a comprehensive range of products, solutions and services for energy, water, infrastructure and agriculture industries, as well as many others.



CG Power supply high quality, "smart" electrical, industrial and consumer products and solutions all over the world helping customers to reduce emissions, noise and cost, as well as improving the reliability and safety of their operations.

Areas for engagement:

- Better gender diversity across the organization and in senior management.
- Better ESG reporting.

08. Cyient - Founders own 23%

Company profile:

Cyient provides engineering and software design services. Their skills and solutions span multiple industries from aerospace and semiconductors to utilities and medical technology.

What we like:

- Cyient has a strong reputation for solving engineering and IT design problems.
- Their human and financial resources (net cash balance sheet) and strong track record of innovation has enabled them to build a high level of trust with over 3,000 clients worldwide.
- They should be well placed to continue to benefit from growing levels of research & development outsourcing globally.

Risk:

We believe risks to the company include exposure to clients that are sensitive to economic cycles and may suffer from delayed new orders and protracted payment terms.

Relevant Sustainable Development Goals:



Develops new products across multiple industries.



Cyient employs and trains 10,000 people in quality, knowledge-driven jobs.

Areas for engagement:

- Accounts receivable.
- Minimising high employee turnover.
- Gender diversity.

09. Dabur - Founding family own 60%. Professional management team.

Company profile:

Dabur is a leading Indian consumer goods company with interests in hair care, oral care, health care, skin care, home care and foods.

What we like:

- Dabur's 130 year history of building valued brands, deep distribution networks and large-scale manufacturing networks have been critical in their ability to generate attractive margins and returns, which are then re-invested back into growth.
- A net cash balance sheet and emerging franchises outside of India provide both resilience and options on further growth.
- Their foods and healthcare businesses are particularly well-positioned to benefit from renewed consumer interest in these categories.

Risk:

We believe that risks to the company include rising competition, weak consumer spending and a cultural drift under a new CEO.

Relevant Sustainable Development Goals:



Natural, health based products.



Leading the drive on reduced and recycling packaging.

Areas for engagement:

- Reverse factoring.
- Reverse auctions for supplies.
- Colour and weight changes in packaging to improve recyclability.

10. Delta Brac Housing Finance - BRAC Bank and the Delta Insurance group together control 51% of the company

Company profile:

Delta BRAC was formed as a joint venture between HDFC and the current owners. The company has grown to become the leading private home financing company in Bangladesh.

What we like:

- Delta BRAC helps provide home financing in a country where mortgage penetration and home ownership are still very low.
- Still operating in only three key cities in Bangladesh, Delta BRAC continues to benefit from structural and sustainable tailwinds of growth.
- The stewardship of the parent company, and their conservative approach to credit risk gives them a long runway ahead.

Risk:

Price competition from banks.

Prioritising growth over quality.

Relevant Sustainable Development Goals:



Delta BRAC's mortgage loans help people access the ability to own their own home.



Delta BRAC's home loan products are required to build sustainable communities over time. Their focus on the three largest cities in Bangladesh is a starting step towards this.

Areas for engagement:

- Incorporating environmental risks into their assessment of credit quality.
- Risk of an asset liability mismatch in their borrowing profile.

11. Dr. Lal PathLabs - Lal family own 42%

Company profile:

One of India's leading medical diagnostics companies, running clinics which administer tests to help determine health conditions.

What we like:

- The powerful combination of family steward and professional management at Dr. Lal's has been vital in ensuring the company's culture and brand is renowned for quality.
- India has significantly underinvested in the diagnostics industry which is an important part of reducing costs elsewhere in the healthcare industry. We believe Dr. Lal can both improve access to healthcare and support the Indian healthcare system to develop in a financially sustainable manner.
- The low base of healthcare penetration and the fragmented nature of the Indian diagnostic industry provides the opportunity for sustainable growth.

Risk:

We believe risks to the company include new entrants into the industry or existing competitors focusing on price to grow market share.

Relevant Sustainable Development Goals:



Providing high quality diagnostics to a wider number of people in an efficient and cost effective manner.



Dr. Lal uplifts communities through supporting projects for natural resource conservation, waste management, water management, sanitation and vocational training.

Areas for engagement:

- Sustainability report and targets.

12. Dr. Reddy's Laboratories - Founding family own c.30%. Professionally managed

Company profile:

Dr. Reddy's is an entrepreneurial generic pharmaceutical company that is committed to providing affordable and innovative medicines. They offer a wide portfolio of products including active pharmaceutical ingredients (API), custom pharmaceutical services, generics and biosimilar.

What we like:

- Under a new, professional CEO, the balance sheet has improved and they are increasingly focusing on parts of the market where they can create significant value.
- This transformation comes with renewed commitment to best-in-class manufacturing standards and improved levels of cash flow that we are confident will continue to grow over the long term.
- The provision of affordable healthcare in both developed and developing markets provides Dr. Reddy's with a long runway of growth.

Risk:

We believe that an emerging risk is a resetting of industry supply chains following disruption highlighted by the Coronavirus outbreak.

Relevant Sustainable Development Goals:



The provision of cheaper, high quality medicine.



Strong focus on human capital.

Areas for engagement:

- Operational standards.

13. Elgi Equipments - Founder owns 32%

Company profile:

Elgi is a leading industrial air compressor manufacturer in India. The company has a product portfolio of over 400 compressed air systems with over sixty years of heritage and reputation.

What we like:

- After many years of investment Elgi can now compete with global multinationals on both quality and efficiency.
- The culture is impressively long-term and ambitious for the size of the company.
- Their time horizon and focus on quality should allow Elgi to continue to gain global market share and benefit from increased industrial and infrastructure expenditure in India and around the globe.

Risk:

We believe risks to the company include delayed industrial spending.

Relevant Sustainable Development Goals:



Innovates new environmentally-friendly products across multiple industries.



A flat, innovation focused culture that is renowned for its high quality engineers.

Areas for engagement:

- Sustainability report and targets.

14. Godrej Consumer Products

- Family - Founded by Ardeshir Godrej in 1897. The Godrej family still owning 62% - Adi Godrej is Chair of the Godrej Group and Nisa Godrej is Chair of Godrej Consumer

Company profile:

Godrej Consumer has established itself as a leading emerging markets consumer goods company. The company is a leading supplier of household insecticides, helping millions of people in tropical climates curtail the spread of malaria and other diseases.

What we like:

- The Godrej family, with a 62% stake in the company, provide long-term stewardship and continue to be actively involved in the business.
- The franchise is highly cash-generative, ambitious and innovative, with products launched in the last five years accounting for 70% of revenues and 20% of global growth. Revenues are split evenly between India and international markets, with positive growth momentum in Asia, Africa and Latin America.
- The business culture is built on integrity and trust and the impressive 'Godrej Good and Green' strategy offers a vision for a more inclusive and sustainable India.

Risk:

We believe that risks for the company include international expansion, Mergers & Acquisitions (M&A) and debt. Another risk is issues around financial quality, including the use of complex reverse factoring arrangements and Mauritian tax structures.

Relevant Sustainable Development Goals:



Godrej's personal care products and household insecticides help curtail the spread of malaria and other diseases. In 2016, they commissioned a project to help eliminate mosquito borne endemic diseases, by improving the knowledge and awareness of communities through behaviour change campaigns.



They have ambitious goals to reduce energy use, waste and address the issue of plastic packaging. By 2025, they aim to reduce packaging consumption per unit of production by 20%; ensure that 100% of their packaging material is recyclable, reusable, recoverable or compostable and use at least 10% Post-Consumer Recycled content in their plastic packaging.

Areas for engagement:

- Debt levels.
- Improving financial quality by reconsidering use of complex tax structures e.g. Mauritian tax structure.

15. HDFC - Free Float - run by professional management

Company profile:

HDFC is the leading provider of housing loans in India and is one of the strongest and most trusted brands in the country.

What we like:

- Founded in 1977 by the late and visionary Shri H.T. Parekh, HDFC has a strong value system and a vital role to play in addressing the widening rural-urban wealth divide in India.
- The company is well positioned to serve the country's growing mid-pyramid housing finance segment which is still under-penetrated and under-supplied.
- The HDFC franchise has been built on making small loans and the maintenance of consistently high asset quality with very low default rates. The ethos and track record of conservative mortgage lending has permeated the company's approach to establishing and operating its insurance, general banking and asset management businesses.

Risk:

We believe that risks for the company include increasing competition, changes to capital requirements and property price collapses.

Relevant Sustainable Development Goals:



53% of HDFC's banking outlets are situated in rural or semi-urban areas and their Sustainable Livelihoods Initiative provides financial services and financial literacy training to people at the bottom of the pyramid. This initiative has helped more than 8.1 million households since inception.



Their Sustainable Livelihood Initiative focuses particularly on supporting underprivileged women in rural parts of India. The bank 'firmly believes that by empowering women, we empower family, society and in the ultimate analysis, the nation'.

Areas for engagement:

- Integration of Environmental, Social and Governance (ESG) principles into lending processes.
- Improving sustainability reporting.

16. HDFC Life - 50% owned by the high quality HDFC group

Company profile:

HDFC Life Insurance is India's leading private sector life insurance company.

What we like:

- Majority owned by the high quality HDFC group, the company's culture, competence and long-term stewardship are world-class.
- The underpenetrated Indian life insurance sector is well positioned for strong growth in the coming decades thanks to the twin tailwinds of rising incomes and more efficient technology-led distribution.

Risk:

We believe that risks to the company include poor underwriting and chasing growth for growth's sake.

Relevant Sustainable Development Goals:



Insurance provides a safety net for those using it, preventing families from falling (back) into poverty after experiencing a shock. HDFC Life Insurance has been a leading provider of life insurance in India for the last two decades.



Targeted insurance products for the underserved parts of society helps to democratise financial planning and security. HDFC Life have serious aspiration to reach the bottom of the pyramid with more affordable products which, if successful, could be life changing for these communities.

Areas for engagement:

- Diversity and quality of product portfolio.

17. Hemas - Esufally family own 65%

Company profile:

A diversified conglomerate serving international and local customers, with a focus on six sectors: Fast moving consumer goods (FMCG), Healthcare, Leisure, Transportation, Power and New Ventures.

What we like:

- Hemas is family-owned and professionally-managed with high quality assets that span the promising Sri Lankan economy.
- The conglomerate is stewarded well and positioned to contribute to and benefit from the development challenges that are facing the country and its people.

Risk:

We believe risks to the company include economic and political risk.

Relevant Sustainable Development Goals:



Hemas is the first internationally accredited hospital chain in Sri Lanka.



Helping overcome the development challenges of Sri Lanka.

Areas for engagement:

- Declaration, measurement and progress towards sustainability targets.

18. IndiaMART - Founding Agarwal family controls 53% of the business and continues to be active in management

Company profile:

IndiaMART is a B2B classifieds platform connecting suppliers and buyers, with 60% market share in the country.

What we like:

- Founded by the Agarwal cousins, Dinesh Agarwal continues to manage the company on a day to day basis.
- Focused on innovation and broadening their reach, IndiaMART is 10x larger than their nearest competitor.
- A cash generative business with a solid balance sheet, they should benefit from structural tailwinds of growth.

Risk:

We believe the company could face reputational risks if there are poor quality suppliers using their platform.

Relevant Sustainable Development Goals:



IndiaMART was one of the first movers in building a B2B platform in the country and they have been investing to push forward their technological advantage.



The IndiaMART platform helps connect quality suppliers with quality buyers, reducing the friction in economic transactions and enabling better outcomes.

Areas for engagement:

- More stringency around quality of suppliers on their platform.
- Improved diversity on the Board and in management.

19. Info Edge - Founder Sanjeev Bikhchandani owns 26%

Company profile:

Info Edge dominates online classified advertising in recruitment, matrimony, real estate and education in India.

What we like:

- Prudent, patient and ambitious management whom have conservatively built dominant franchises in key online classified advertisements and are well placed to benefit from the rapidly expanding acceptance and use of online services in India.

Risk:

We believe risks to the company include rising competition from larger overseas brands.

Relevant Sustainable Development Goals:



Enabling access to jobs, matrimony and real estate are core elements of a stable community.



85% of the annual corporate social responsibility budget, which is 2% of profits, are spent on educational endeavours.

Areas for engagement:

- Bonus share issuance.
- Sustainability reporting on operations.

20. Infosys - Founder stewarded board

Company profile:

Infosys is an Indian global consulting and IT services company.

What we like:

- Alongside a founder stewarded board, we believe a new professional management team can ensure Infosys maintains its strong position in helping clients evolve their business models so as to be fit for purpose in the 21st century.
- Infosys has a high quality net cash balance sheet as well as cash flows that are resilient and enjoy long-term structural growth from increasing corporate spend on digitizing their businesses.

Risk:

We believe that risks to the company include a slowdown in technology spends.

Relevant Sustainable Development Goals:



Infosys plays a critical role in helping companies to transform their business models in the face of advances in software and computing technology as well as multiple sustainability headwinds.



Infosys believes in lifelong learning for its employees and invests substantial amounts into continually re-skilling their workforce.

Areas for engagement:

- Diversity and succession.

21. Kotak Mahindra Bank - Founder owns around 30%

Company profile:

Founded in 1986 in Mumbai, Kotak Mahindra Bank is one of India's leading full-service financial conglomerates, offering retail banking, securities, investment banking, insurance, microfinance and asset management services.

What we like:

- Long-term stewardship is provided by promotor and managing director Uday Kotak while most of the management team have served the company for more than 15 years.
- Built on principles of simplicity and prudence, Kotak Mahindra is regarded as one of the most efficient and high-performing banks in India.
- The business is well positioned to capture growth opportunities from rising income levels and greater penetration of banking services (still only 50% of the population) in India.

Risk:

We believe that risks for the company include succession, competition from the granting of new banking licenses and capital losses in riskier areas of the business, such as investment banking and asset management.

Relevant Sustainable Development Goals:



Kotak Mahindra Bank offer low cost products and services for the unbanked and under-served sections of society, particularly in rural India. For example, they offer deposit accounts with no minimum balance requirements and simple know-your-customer (KYC) on-boarding.



Its microfinance business lends primarily to rural women involved in agricultural communities. They have also established the Kotak education foundation, which focuses on supporting the educational needs of underprivileged boys and girls.

Areas for engagement:

- Integrating Environmental, Social and Governance (ESG) principles in their lending procedures.
- Risks relating to the investment banking business.

22. Mahindra & Mahindra - 74% Free Float and now run by the 3rd generation of the family.

Company profile:

One of India's most respected and successful industrial groups.

What we like:

- The heart of the group is the country's dominant tractor franchise. There are few companies better placed to contribute to and benefit from India's sustainable development than this, since rural productivity will hinge on greater farm mechanisation.
- We are backing a well-regarded steward to allocate capital successfully in nurturing new businesses using existing cash flows. As such, the group is utilising its scale, reputation and capital to cultivate a range of businesses ranging from clean energy to IT-outsourcing and social housing development to inclusive financial services.
- The group's palpable sense of purpose and stellar track record give us a lot of comfort on the group's quality, and we can easily imagine Mahindra evolving into a much more diversified conglomerate in ten years' time.

Risk:

We believe the company faces risks of continued capital allocation to weak businesses such as autos and commercial vehicles and an inability to transition quickly to an electric vehicle world.

Relevant Sustainable Development Goals:



Provider of affordable finance and financial products for rural communities.



Agricultural machinery improves productivity and supports India's sustainable development.

Areas for engagement:

- Better capital allocation and diversification away from businesses with sustainability headwinds.
- Diversity in senior management.

23. Mahindra Logistics - Mahindra & Mahindra own 58%

Company profile:

Mahindra Logistics is a relatively new business (founded in 2000) for the Mahindra group but it is already a leading provider of third party logistic (3PL) services across India.

What we like:

- India presents a huge opportunity given its inefficient and unorganised logistics infrastructure.
- The company is backed by the Mahindra group, who are among the highest quality stewards in our investible universe with substantial experience of nurturing businesses.

Risk:

We believe risks to the company include a widespread economic slowdown and delays to spending on infrastructure to improve logistics efficiency.

Relevant Sustainable Development Goals:



Pooling/sharing of logistical services using fuel efficient vehicles.



A focus on nurturing human capital through engagement, training and development.

Areas for engagement:

- Sustainability report with clearly defined targets.

24. Marico - Family - Founded in 1971 by Harsh Mariwala who remains the Chair - the family owns c. 53%

Company profile:

Marico can trace its roots back to 1971 when its founder Harsh Mariwala graduated and joined the family business, Bombay Oil Industries.

What we like:

- Mr Mariwala had envisioned a branded Fast Moving Consumer Goods (FMCG) market for coconut oil and refined edible oils in small consumer packs, and set up a nationwide distribution for the Parachute brand.
- Over the years, Marico branched into shampoos, deodorants, skin care and healthy breakfast oats. It also set up copra collection centres to procure directly from farmers, increasing farmers' margins by eliminating intermediaries (they also pay their raw material suppliers within a day).
- Today Marico continues to expand within India and is also steadily building a business in Bangladesh and other emerging markets across South East Asia, Africa and the Middle East.
- We believe that the company should benefit from strong sustainability tailwinds as it contributes to improved personal hygiene and healthier foods.
- It also operates responsibly with a broad and inclusive commitment to serving all stakeholders and improving the lives of ordinary people.

Risk:

We believe that risks for the company include copra prices, changing consumer preferences and views on the health giving qualities of coconut oil.

Relevant Sustainable Development Goals:



Marico's products help to improve the health, hygiene and well-being of more people, mostly in India and South Asia, Southeast Asia, Africa and the Middle East, by providing hair, skin and other personal care products, coconut and other edible oils, health foods and fabric care products.



Marico support farmers in their supply chain through productivity improvement programmes, research and training to help improve overall agricultural yields. They also provide ongoing financial, agricultural extension and cooperative establishment support to increase supply chain resilience and socioeconomic position of smallholder farmers.

Areas for engagement:

- Gender diversity.
- Reducing plastic packaging.

25. Marico Bangladesh - 90% owned by Marico

Company profile:

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What we like:

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Relevant Sustainable Development Goals:



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Areas for engagement:

- Gender diversity.
- Reducing plastic packaging.

26. Metropolis Healthcare - Founding family own 26%

Company profile:

Metropolis Healthcare is a renowned Indian diagnostic company which owns a chain of diagnostic centres across India, South Asia, Africa and the Middle East.

What we like:

- Metropolis has an excellent reputation for accurate, reliable and consistent laboratory testing and are ranked among the top 1% of laboratories worldwide for quality testing.
- The company has demonstrated a successful track record of acquiring and integrating laboratories in India and overseas.
- India's underdeveloped healthcare system and a large, fragmented diagnostic testing industry provides significant opportunity for a high quality player like Metropolis.

Risk:

We believe risks to the company include an operational accident destroying trust in the franchise, as well as acquisition and integration risk.

Relevant Sustainable Development Goals:



Low cost access to medical treatment.



Helped 20,000 women with polycystic ovary syndrome (PCOS). "Too Shy to Ask" programme for young adults.

Areas for engagement:

- Chairman succession.
- Receivable days.
- Related party transactions with property business.

27. Pidilite Industries - Parekh family own 70%

Company profile:

Pidilite is the dominant manufacturer of adhesives and sealants in India. They are known for the Fevicol brand which enjoys market share of 70%.

What we like:

- Pidilite owns, manufactures and distributes Fevicol, the strongest adhesive brand in India, which is favoured by amateur and professional carpenters across the nation.
- The Parekh family have nurtured this brand while extending distribution reach and developing a broad range of new products in adjacent markets for incremental growth.
- They are now a trusted name across industries and households for high quality brand name products such as WD 40 and Steelgrip.
- Future growth will be organic, through acquisitions in India and overseas.

Risk:

We believe the risks for the company include a widespread economic slowdown with weak industrial and consumer demand, as well as acquisition risks.

Relevant Sustainable Development Goals:



Innovating new environmentally-friendly products.



Strong history of industry collaboration.

Areas for engagement:

- Gender diversity.
- Compliance reach across operations.

28. Shanthi Gears - 74% owned by Tube Investments and stewarded by the Murugappa Group

Company profile:

A leading maker of gears for various industrial clients.

What we like:

- Part of the renowned family owned Murugappa Group, Shanthi is an industrial gearbox manufacturer in India.
- Offering power transmission products at reasonable prices, Shanthi is able to support a range of industries including steel, cement, sugar, mining, chemicals and paper reach their optimum creativity and productivity, and contribute towards the industrialisation and sustainable development of India.

Risk:

We believe risks to the company include an inability to keep up with technology advances and quality failures.

Relevant Sustainable Development Goals:



Niche maker of gears supplying to various required industries that are central to the sustainable development of India.



Support a range of industries reach their optimum creativity and productivity, and contribute towards industrialisation.

Areas for engagement:

- Gender diversity.
- Environmental reporting.

29. SKF India - 51% owned by SKF group

Company profile:

A leading maker of bearings that is critical to the operations of various end users.

What we like:

- SKF India is the market leader in India in ball bearings. The company currently has c.30% market share and 1/3rd of the market is unorganised. As technological demands increase we believe they are well positioned to grow market share.
- Much of the business now relies on improving efficiency and reducing environmental intensity for customers operating in end markets that are required for sustainable development.
- The company is well positioned to benefit from rising industrial demand as India continues to develop.
- A movement from products to solutions means the business is better placed in building recurring business and improving margins.

Risk:

We believe risks to the company include exposure to the auto industry particularly combustion engines and quality failures.

Relevant Sustainable Development Goals:



Support end markets such as cement, manufacturing, metal, automation, railways, wind energy, trucks; that are required for sustainable development.



Much of the business now relies on improving efficiency for customers – less downtime through increased real time monitoring, lower failure, and replacement.

Areas for engagement:

- A single entity in India.
- Zero water discharge and full recycling of waste.

30. Square Pharmaceuticals - Chowdhury family own 35%

Company profile:

Square Pharmaceuticals started making EASTON's Syrup under the leadership of the late Samson H Chowdhury. Under the same family stewardship, the franchise has developed into the largest pharmaceutical company in Bangladesh.

What we like:

- Square Pharmaceuticals is the dominant manufacturer of pharmaceuticals, basic chemicals, Agrovet and pesticides, as well as herbal medicines in Bangladesh.
- The company is delivering access to safe and reliable medicines at the lowest possible cost to some of the poorest and most vulnerable people in Bangladesh, as well as exporting efficacious, low cost medicines overseas.

Risk:

We believe risks to the company include an operational accident destroying trust in the franchise.

Government interference on pricing.

Relevant Sustainable Development Goals:



Promoting low cost efficacious medicines to the vulnerable.



Focused on equal opportunities.

Areas for engagement:

- Sustainability report.
- Greater climate awareness.

31. Sundaram Finance - Santhanam family own 36%

Company profile:

Sundaram Finance is a leading and trusted provider of loans for vehicle and property financing, which also provides insurance.

What we like:

- Sundaram is a leading player in many markets with long-term structural growth.
- Their impressive sixty year track record has allowed them to build a strong brand with borrowers and a reputation for safety with their lenders.
- Their asset quality is consistently one of the best in India which increases the resilience of the franchise to economic cycles and builds inter-generational customer trust.

Risk:

Like all financial institutions, we believe risks relate to economic cycles and the direction of interest rates.

Relevant Sustainable Development Goals:



Finances entrepreneurial endeavour.



Sundaram help entrepreneurs access critical financing to support and grow their businesses.

Areas for engagement:

- Preferential lending rates for environmentally friendly vehicles.
- Sustainability reporting.

32. Syngene - 77% owned by Biocon

Company profile:

Syngene is an Indian contract research and manufacturing company. It provides drug discovery and production services to large pharmaceutical companies.

What we like:

- Over 25 years, they have established a strong track record and reputation, reflected in their working with 8 out of 10 of the largest pharmaceutical companies in the world.
- Syngene's 4000 scientists help make the development of new medicines cheaper and more efficient.
- The advantages of outsourcing these services to India means Syngene is likely to continue to be able to deliver healthy growth.

Risk:

We believe risks to the company include competition with world-leading companies that specialise in single service elements and a lack of IP ownership when servicing clients.

Relevant Sustainable Development Goals:



Improves the accessibility of life-saving innovation worldwide.



Provide outsourcing services of the drug discovery, testing and commercialisation process(es) to companies in order to optimise their research and development spending.

Areas for engagement:

- Broadening client base.

33. Tata Chemicals - 34% owned by the Tata Group

Company profile:

Tata Chemicals is a leading maker of soda ash and basic chemicals.

What we like:

- Tata Chemicals is part of the renowned Tata Group, whose stewardship and code of ethics instils a strong sense of commitment to sustainability, community and the ethos of the group.
- Currently going through a turnaround the company is now focused on evolving into a pure chemicals business with a more conservative balance sheet.
- The company is making long-term investments into cleaner technologies such batteries, and demonstrate a healthy attitude to important environmental and social issues with a keenness to

Risk:

We believe risks for the company include environmental risks around chemicals manufacturing, and long-term risks from enzymes.

Relevant Sustainable Development Goals:



Tata Chemicals' Innovation Centre is focused on investing in and developing clean technologies.



Through its Living Essentials portfolio the company have a number of products that positively impact millions of lives in India. For example their Salt brand provides low sodium salt and iron fortified iodised salt for consumers; and their Tata Swach brand provides water purification solutions at affordable prices to ensure safe drinking water for people.

Areas for engagement:

- Full divestment from phosphate joint ventures.
- Bolder environmental targets.
- Gender diversity.

34. Tata Communications - 49% owned by the Tata Group

Company profile:

Tata Communications is a provider of basic network and digital infrastructure for enterprise customers.

What we like:

- Tata Communications is part of the renowned Tata Group, whose stewardship and code of ethics instills a strong sense of commitment to sustainability, community and the ethos of the group.
- The company is well positioned to evolve into designing and managing complex IT networks of corporations.
- An improving balance sheet, alongside better margins and lower capex can be a powerful driver of cash flows.

Risk:

We believe risks for the company include an inability to turnaround a primarily utility type culture; and risks posed by the Indian government as a regulator and shareholder.

Relevant Sustainable Development Goals:



Provider of basic network and digital infrastructure for over 7,000 enterprise customers globally.



Tata's communications network spans more than 500,000 kilometres of subsea fibre and more than 210,000 kilometres of terrestrial fibre.

Areas for engagement:

- Diversity in senior management.
- Roadmap to 100% renewable energy consumption.

35. Tata Consultancy Services (TCS)

Foundation - Run by professional management and 72% owned by the Tata Trust

Company profile:

TCS has evolved, prospered and established itself as a leading Asian and global IT and business consulting franchise.

What we like:

- The company is the jewel in the Tata Group crown, and the Tata code of ethics instils a strong sense of commitment to sustainability, community and the ethos of the group.
- A culture of long-term thinking has enabled the management to develop a highly devolved business model to manage growth, cope with scale, and ensure the highest possible level of employee engagement.
- The company is well positioned to benefit from and contribute to innovation and informational, operational and resource efficiencies created by the digital economy.
- TCS has become integral to the functioning of many US and European corporations and earns most of its revenues in hard currencies.

Risk:

We believe that risks for the company include slower revenue and margin growth if corporate IT budgets and projects are scaled back or delayed in a global economic downturn.

Relevant Sustainable Development Goals:



TCS is an enabler of efficiency and innovation, is a large employer and investor in the economy and is one of the largest employers of women in the Indian private sector.



TCS helps to strengthen digital infrastructure and help enhance productivity and efficiency, of a vast array of public sector bodies and corporates in developed and developing countries.

Areas for engagement:

- Diversity on the Board and management team.
- Reconsidering the practice of issuing bonus shares.

36. Tata Consumer Products - Tata Sons owns 30%

Company profile:

Tata Consumer Products is an Indian consumer company focused on beverages, pulses, spices and salt.

What we like:

- A recent management transition and renewed focus on India sets the company on a strong trajectory to improve its profitability, returns on capital and balance sheet.
- We believe Tata Consumer Products has a unique opportunity to leverage the Tata brand, known for excellence, to become a diversified world-class consumer products company.

Risk:

We believe risks to the company include a failure to realise management synergies.

Relevant Sustainable Development Goals:



Focus on four areas - Sustainable Agriculture and Forestry; Energy efficiency and renewability. Ranked 6th in the Carbon Leadership Disclosure Index (CDLI).



Reduced water usage in coffee production by 82%.

Areas for engagement:

- Renaming of company from Tata Sons.
- Working conditions in tea plantations.
- Packaging efficiency.

37. Tech Mahindra

- Family - 29% owned by Mahindra & Mahindra Limited which is owned by the Mahindra family

Company profile:

Tech Mahindra is a leading provider of digital transformation, consulting and IT services, and is part of the renowned Mahindra Group. The company emerged as a technology outsourcing business in 1986 following a joint venture with British Telecommunications (later BT Group), and became known as Tech Mahindra in 2006.

What we like:

- In 2009, the Mahindra Group bid successfully for the much larger Satyam Computer Services after it collapsed in one of India's highest profile corporate accounting scandals.
- The company now provides an extensive range of IT and networking solutions, including the integration of cleaner energy technologies with existing transmission and distribution infrastructure.
- Tech Mahindra has become a leader in the delivery of smart grid solutions and advanced metering infrastructure in India and are expanding their 5G and IT related offerings.
- They should benefit from the trends towards digitalisation, automation and artificial intelligence.

Risk:

We believe that risks for the company include slower revenue and margin growth if corporate IT budgets and projects are scaled back or delayed in a global economic downturn.

Relevant Sustainable Development Goals:



Tech Mahindra is an enabler of efficiency and innovation, helping companies to future proof their business via digitalisation and automation.



Tech Mahindra's 'Green and Sustainability' solutions help reduce the ecological footprint of their customers through offerings such as green data centres, enterprise energy and carbon management systems through to smart grids and environmental compliance.

Areas for engagement:

- Gender diversity
- Executive remuneration

38. Tube Investments - Founding family own 48%

Company profile:

Manufactures and markets bicycles, precision steel tubes and metal formed products in India and internationally.

What we like:

- The Murugappa family stand out for their stewardship, which has resulted in a careful attitude to risk, fair treatment of minority shareholders and an excellent approach to evolving the sustainability positioning of their businesses.
- Rapid urbanisation, the rise of 'mega' cities with populations over ten million people and the growing focus on healthy lifestyles have all combined to create strong sustainability tailwinds for the bicycle industry.

Risk:

We believe risks to the company include economic cyclicalities as well as volatility of input prices.

Relevant Sustainable Development Goals:



The family philosophy is dedicated to helping the vulnerable in society.



Tube's brands are leaders in India's burgeoning cycling industry.

Areas for engagement:

- Gender diversity.
- Sustainability reporting.

39. V-Guard Industries - 66% owned by the Chittilappilly family

Company profile:

A leading brand in necessary electrical appliances.

What we like:

- V-Guard is a family owned manufacturer of branded electrical appliances that is now run by the son of the founder and is growing beyond its southern roots into the rest of India.
- The company's first product was a voltage stabilizer, which is instrumental in protecting and enhancing the useful life of most electrical and electronic appliances. It has since evolved into many other products including water heaters, UPS, inverters, kitchen appliances, cables, pumps and fans amongst others.
- As Indians continue to own and furnish more homes, V-Guard should have many decades of growth ahead of it.

Risk:

We believe that risks for the company include labour relations and an inability to evolve into new products.

Relevant Sustainable Development Goals:



Provide safe and reliable electrical and electronic appliances for furnishing of homes.



Offer a range of products at affordable prices, which add to the comfort of life through saving in manual labour, time and energy or for entertainment.

Areas for engagement:

- Better gender diversity.
- Environmental reporting and performance.

40. Voltas - 30% owned by the Tata Group

Company profile:

Voltas is a leading maker of air-conditioning and refrigeration systems.

What we like:

- Voltas was established in 1954 and is part of the renowned Tata Group, whose stewardship and code of ethics instills a strong sense of commitment to sustainability, community and the ethos of the group.
- We believe the company has strong growth potential with rising consumption of the middle class in India.
- Voltas provide useful products for society in the form of air-conditioning and refrigeration systems, as well as further expansion into other white goods.

Risk:

We believe risks to the company include environmental risks around refrigerants and price wars.

Relevant Sustainable Development Goals:



Provide air conditioning and refrigeration products in Indian homes.



Support the advancement of electrical use in the country through their electrical engineering division and provision of air conditioners and other white goods.

Areas for engagement:

- Better gender diversity.
- Bolder approach to environmental risks around refrigerants.

41. VST Tillers Tractors - 51% owned by the VST family

Company profile:

VST Tillers Tractors is a leading maker of farm equipment for small landowner farmers.

What we like:

- VST Tiller Tractors is a family owned, leading manufacturer of tillers, now aspiring to expand their product range and geographical reach across India.
- VST's farming equipment has a huge impact on farm yields and hence has a positive impact on food security and farm incomes.
- The fourth generation of the family have now handed over to a professional CEO who is high quality, while they monitor its evolution and progress from the board.

Risk:

We believe risks to the company include price based competition and an inability to improve the quality of farms through their products.

Relevant Sustainable Development Goals:



Provision of farming equipment to small farmers.



Increasing the efficiency of farming for small farmers helps improve the farm yields and reduces crop waste.

Areas for engagement:

- End all lending to group companies.
- Improve quality of the Board.

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