MARTEN & CO

Annual overview | Investment companies

29 March 2017

India Capital Growth

Full steam ahead

With last year's successful subscription share exercise pushing India Capital Growth (IGC)'s net assets through the £100m mark; strong performance relative to peers; and buoyant conditions in India, the focus now is on driving down IGC's discount.

Recent poll success by the BJP has put a stamp of approval on the party's ambitious reform agenda. We may see a temporary dip in growth as the Goods and Services Tax (GST) is introduced this summer, but this should have long-term positive effects.

The discount appears perverse to us. India remains one of the fastest-growing major economies in the world and IGC is positioned to take advantage of this.

Mid- and small-cap listed investments in India

IGC's investment objective is to provide long-term capital appreciation by investing (directly or indirectly) in companies based in India. The investment policy permits the company to make investments in a range of Indian equity securities and Indian equity-linked securities. The company's investments will predominantly be in listed mid- and small-cap Indian companies.

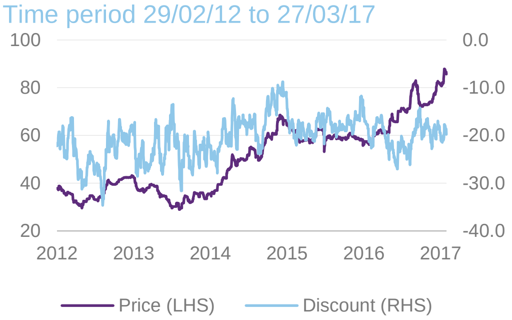
Year ended	Share price total return (%)	NAV total return (%)	Portfolio total return* (%)	S&P BSE Mid Cap TR. (%)	MSCI India total return (%)
28/02/13	12.2	6.8	6.8	(5.1)	1.7
28/02/14	(15.9)	(11.7)	(11.7)	(16.2)	(10.5)
28/02/15	79.7	63.5	78.8	82.9	48.2
29/02/16	(12.6)	(11.6)	(15.9)	(10.0)	(18.2)
28/02/17	44.3	53.3	71.2	64.1	41.2

Source: Morningstar, Marten & Co *Note: undiluted NAV returns.

Sector	Country specialist – Asia Pacific
Ticker	IGC LN
Base currency	GBP
Price	85.63p
NAV	106.72
Premium/(discount)	(19.8%)
Yield	Nil

Share price and discount

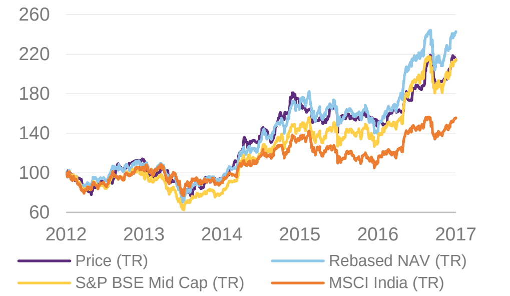
Time period 29/02/12 to 27/03/17



Source: Morningstar, Marten & Co

Performance over five years

Time period 29/02/12 to 28/02/17



Source: Morningstar, Marten & Co

Domicile	Guernsey
Inception date	22 December 2005
Manager and adviser	David Cornell and Gaurav Narain
Market cap (GBP)	97m
Shares outstanding	112.5m
Daily vol. (1-yr. avg.)	385.9k shares
Net cash	2.6%

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Contents

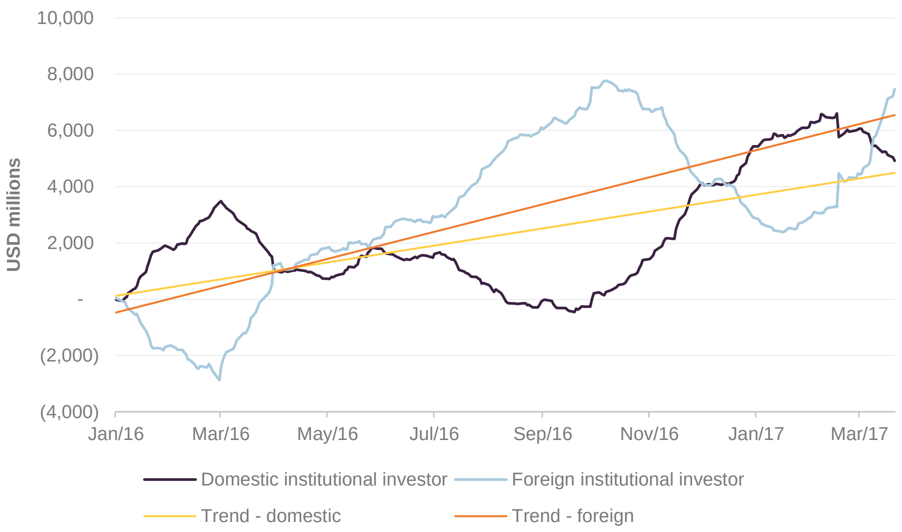
An update on India

Electoral success boosts the ruling party

Recent elections in India have confirmed the dominance of the BJP. For example, in Uttar Pradesh, India's most populous state, the BJP won over three quarters of the available seats. The election results seem to have put a stamp of approval on the BJP's reform agenda, quelling the uncertainty created by last year's demonetisation. IGC's investment manager, Ocean Dial Asset Management (Ocean Dial or the manager), also thinks that this should give investors greater confidence that Modi will be re-elected in 2019.

Ocean Dial believes the BJP will persist with its anti-corruption agenda, a policy that has been well received by the bulk of India's electorate, focusing on areas such as property transactions (this may have an adverse effect on parts of the property sector in the short term). The recent budget emphasised areas such as infrastructure investment in roads and railways and efforts to support the rural economy (with spending on irrigation projects for instance). Pleasingly, says Ocean Dial, there was no attempt to change long-term CGT. Monetary policy remains quite tight despite the inflation rate remaining within target; Ocean Dial is not expecting interest-rate cuts in the near term and thinks this is encouraging given worries in some quarters over the possible impact of a strengthening dollar in emerging markets. Investment adviser, Gaurav Narain, also highlights increasing domestic interest in financial assets (as is evident in Figure 1) – almost every month there are inflows into Indian equity funds. These have offset periods when foreign investors have been less interested (around demonetisation/Trump's election for example). Ocean Dial believes this is supportive of the market.

Figure 1: Fund flows into the Indian market – foreign versus domestic



Source: Ocean Dial

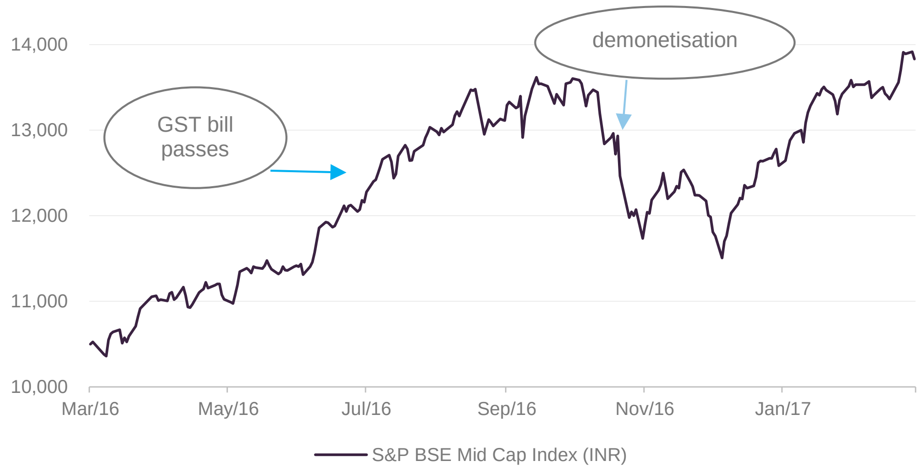
Demonetisation

Negative effects of demonetisation short-lived

The Indian government's decision to remove its ₹500 and ₹1000 notes from circulation last November came as a surprise. The move was aimed at clamping down on corruption and "black money". There was some disruption as people scrambled to deposit their cash (more money was deposited than anticipated) and the government was widely criticised. The stock market fell sharply (demonetisation coincided with Trump's election and this may also have had an impact). In the event, in most parts of

India, the effects of demonetisation appear to have been short lived and, as Figure 2 shows, the S&P BSE Mid Cap Index has shrugged it off and moved higher. Ocean Dial believes the measure will help with tax gathering as fewer cash transactions lead to a shrinkage of the "shadow-economy". In addition, the income tax department is scrutinising deposits made that exceeded ₹250,000 (£3000); this may result in a windfall for government revenue.

Figure 2: S&P BSE Mid Cap Index in local currency over one year



Source: Morningstar, Marten & Co

Goods and Services Tax (GST)

GST introduction set for July 2017

As discussed in our previous note, the introduction of nationwide GST (akin to VAT) has the potential to improve dramatically Indian logistics as a myriad of state taxes disappear. The tax could also help government finances as it is less easy to avoid than other revenue-generating measures. The planned implementation date has slipped, as Ocean Dial anticipated, and is now scheduled for 1 July 2017. Ocean Dial believes there could be some disruption associated with the introduction of such a widespread reform but think this should be short-lived. It expects GST to oil the wheels of the economy and raise the tax take for the government. GST also levels the playing field for companies that have been playing by the rules and paying their taxes. Ocean Dial believes this could allow them to make meaningful market share gains.

Strong GDP growth

India still growing at c7% a year

GDP figures for Q4 2016 show the economy growing by 7% year-on-year. This was down from the 7.4% growth recorded in Q3 but well ahead of expectations. It was far enough ahead for some to question its accuracy. Ocean Dial believes the media and the opposition parties exaggerated the negative effects of demonetisation. The managers point out that India remains one of the world's fastest-growing economies and, in the medium term, growth rates may accelerate as recent initiatives bear fruit.

Fund profile

Further information is available at the company's website at: www.indiacapitalgrowth.com

IGC invests in India, predominantly in listed small-and-mid-cap Indian companies. The fund is aiming to generate capital growth for shareholders. IGC has not paid dividends in the past and the manager says it is unlikely to do so in the near future.

Management arrangements

IGC invests through a Mauritian subsidiary (IGC Q Limited) into a portfolio of Indian securities. We understand that, by investing through a Mauritian subsidiary, IGC pays the lower of short-term capital gains due in India and Mauritius (effectively zero). There is no long-term capital gains tax in India at present.

IGC has been managed since 2010 by David Cornell of Ocean Dial. He has been assisted in this, since November 2011, by Gaurav Narain (Gaurav or the adviser) of Ocean Dial Advisers Pvt, which is based in Mumbai. Gaurav has 21 years of experience in Indian capital markets having started his career as vice president of research for SG Asia.

Ocean Dial is owned by management and staff. Assets under management were around $435m at the end of February 2017, spread across IGC, and two open-ended funds, Gateway to India (Indian equities with a large-cap focus, advised by Sanjoy Bhattacharyya) and Systematic India Return Fund (a concentrated Indian equity portfolio with hedging to provide downside risk protection, advised by Vamsi Tatavarthy). The seven-strong investment team is split between London and Mumbai. Each of the analysts is assigned responsibility for a number of industry sectors. The manager is responsible for monitoring the risk of the portfolio and all dealing is done from London.

Following the subscription share exercise and a purchase of shares in August 2016, three members of Ocean Dial's team held over 680,000 shares in IGC between them.

The board has an oversight role. Its permission must be sought before IGC can take on any permanent borrowings, invest in any unlisted investment or buy back shares. It is worth bearing in mind that the manager says it is highly unlikely that it will take on permanent borrowings or invest in unlisted investments. The board also sets the company's policy on currency hedging.

Index comparators

IGC's main focus is on Indian small-cap and mid-cap companies, but the fund can and does hold large-cap stocks as well. The board and the manager benchmark the performance of the fund against the S&P BSE Mid Cap Index (total return) but we think that given the portfolio's weighting in large-cap companies (those with a market cap greater than $7bn represented 16.5% of the portfolio at the end of February 2016), it is also worth comparing IGC's performance against the MSCI India Index. The manager does not take benchmark weightings into account when constructing the portfolio.

Investment process

Focusing on companies exposed to the Indian growth story

Exploit the Indian growth story but stick to well-run companies

The basis of the investment philosophy is that investors will benefit most, over the long-term, by being invested in those companies best-placed to benefit from the Indian growth story. You also need good management in these companies if they are to make the most of this opportunity.

Bottom-up stock selection

Bottom-up stock picker searching for cash-generative, high ROE companies with sustainable business models

Gaurav is a bottom-up stock-picker. He says he does not make macro calls nor is he a thematic investor. When he is searching for investments to recommend to the manager, he is looking primarily for stocks that can grow and generate high cash returns on capital employed. Ideally, he wants to find companies that have been generating cash for at least six years and are exhibiting ROEs of 15% to 20%. These companies must also pay dividends and taxes. Cash generation alone is not enough; the company has to be have some USP. He wants to avoid commoditised businesses as he is looking for pricing power. Crucially, the company must also have credible management that he can trust and that is shareholder friendly.

Gaurav aims to identify and invest in these opportunities ahead of the competition. Sometimes when the fund first buys into a stock IGC is the only institutional investor. Such stocks may have relatively lower levels of liquidity but, as a closed-end fund, IGC's structure allows it to take a long-term view.

Large pool of potential investments

Liquidity test for potential investments

There are well over 5,000 listed companies in India but Gaurav believes only about 400 of these would be suitable for inclusion within IGC's portfolio. From these he is looking to assemble a portfolio of 30-35 stocks. Low liquidity is one of the main criteria that disqualifies stocks as potential investments. The manager monitors how many days it would take to turn the whole portfolio into cash and the proportion of the portfolio that could be sold in a day. Generally, the manager wants to be able to liquidate a position within 20 dealing days, assuming dealing by IGC accounts for a third or less of average daily volume. Gaurav told us that, were he advising on a $1bn fund, there would still be 100 or so companies that would fit the bill. When he is weighing up the relative merits of stocks, he says he needs to have much stronger conviction on any stock with lower relative liquidity.

Despite the size of the Indian stock market, there is no shortage of research available, with around 70 brokers analysing companies. To make the process more manageable, the adviser first sifts through the market using a series of quantitative based screens.

The data to support this analysis is readily available as all listed stocks are required to submit accounts and these have been compiled into various databases – they use Capitaline. Data is imported into their own proprietary template. Gaurav says it is straightforward to download a detailed financial history of any stock.

The team runs screens to pull out stocks that might be interesting and makes a point of visiting as many of these as possible. Gaurav reckons he meets in excess of 300 companies a year and says he is travelling outside Mumbai about once a month.

There are some sectors that he tends to avoid because he believes there is a greater risk of corruption. He cites Infrastructure companies as an example of this as they have to interact substantially with the government, there is less transparency than he would like and he does not trust the balance sheets.

Three-year time horizon

Double your money over three years

When recommending an investment, Gaurav thinks about what is the fair value for the business and sets a price target based on an absolute assessment of value rather than a comparison to similar listed stocks. Gaurav always focuses on the long term. He wants any investment to at least double over three years. He is willing to accept lower returns initially, if a stock is investing for the future or restructuring for example, and it will take a while for the benefits to emerge. Gaurav believes that such stocks are often more attractively priced as short-term investors do not appreciate the long-term potential.

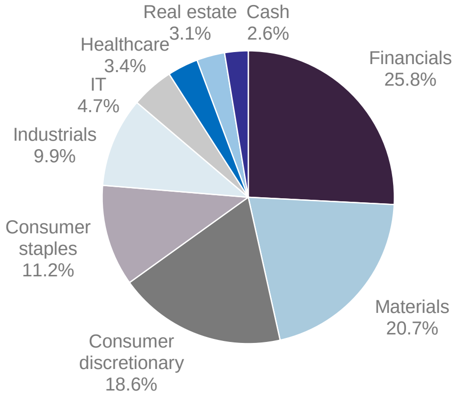
In India, a majority of companies are still controlled by their founding families. Gaurav believes the best of these bring in outside management. He says it is a good sign when the second or third generation within a family is willing to hire outside professionals to run its businesses.

IGC does not tend to own the listed subsidiaries of multinational companies. Gaurav appreciates that they often have good management but thinks they are often stifled by slow decision making and bureaucracy. Instead he prefers businesses in the same fields that are run by people that used to work for multinational companies. He says that they tend to be nimbler and can have greater potential to add value by improving systems and processes.

Gaurav will recommend the sale of a stock if he loses faith in management or the business case for a company. Otherwise he advises the trimming of holdings when they become significant weights in the portfolio or as they hit his price targets. Price targets are reviewed continually - always in the context of what Gaurav feels the stock can achieve over the coming three years both on a fundamental basis and a valuation basis. Portfolio turnover is low – all of the top 10 have been held for at least three years.

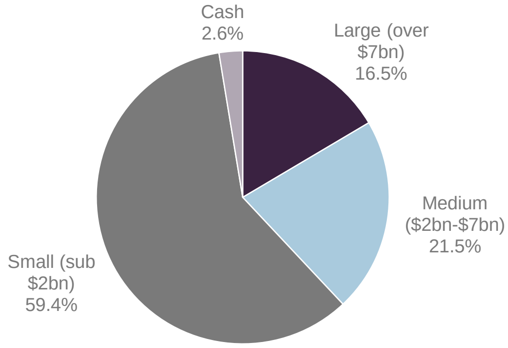
Asset allocation

Figure 3: Portfolio breakdown by industry sector



Source: Marten & Co

Figure 4: Portfolio breakdown by size of company



Source: Marten & Co

The number of stocks in the portfolio ticked up slightly following the influx of the subscription share cash. On Gaurav's advice, the portfolio has consolidated again and now there are around 37/38 stocks in the portfolio and the manager expects this number to trend downwards to around 34.

All sector weightings arise primarily as a result of stock selection decisions. Figures 3 and 4 show the distribution of the portfolio at the end of February 2017.

The weighting in materials (cement) stocks is about 4% higher than it was at the end of September 2016 (the figures we used in our last note). Increased investment in infrastructure is boosting the attractions of these companies. Exposure to financial, consumer discretionary and consumer stocks has increased at the expense of healthcare and cash. Gaurav sees a huge opportunity in consumer stocks as the organised market (the companies sticking to the rules and paying taxes) absorbs volume from the disorganised. He thinks it likely that many of these consumer stocks will achieve compounding earnings at 15%-20% per annum for the next decade.

IGC's significant cash balance (7.1% of net assets as at the end of September 2016) was deployed in the wake of demonetisation to take advantage of lower valuations. It ran down as far as 0.5% at one time but has been rising again as Gaurav trims some positions on the back of the market recovery. It was 2.6% as at the end of February 2017. As well as exiting Ajanta Pharma and Gujarat Pipapav, the portfolio added mainly to existing names such as Dish TV, Divi's Labs, Kajaria Ceramics, Manpasad Beverages (see below), Skipper, Voltas, Mahindra CIE and JK Lakshmi.

Banks dominate the list of largest holdings as is evident in Figure 5. IGC's bank investments have performed well over the last six-nine months. Gaurav says that margins for these banks are rising and they have much less of a problem with asset quality than public banks.

10 largest holdings at 28 February 2017

At the end of February, the 10 largest holdings in IGC's portfolio accounted for 38.7% of the fund. There was only one change to the line-up as Welspun India replaced Divi's Laboratories. Both stocks are discussed below (Divi's in the performance section).

Figure 5: 10 largest holdings as at 28 February 2017

Stock	% of total assets 28/02/17	% of total assets 31/08/16	% Change	Sector	Business
Yes Bank	5.7	5.1	+0.6	Financials	Private bank
Dewan Housing	4.7	4.3	+0.4	Financials	Home loans
Federal Bank	4.6	4.2	+0.4	Financials	Private bank
Jyothy Laboratories	4.1	3.6	+0.5	Consumer staples	Household goods
Motherson Sumi Systems	3.6	2.5	+1.1	Consumer discretionary	Automotive
Kajaria Ceramics	3.4	3.3	+0.1	Industrials	Tiles
Welspun India	3.4	1.3	+2.1	Consumer discretionary	Textiles
Indusind Bank	3.1	2.9	+0.2	Financials	Private bank
Dish TV India	3.1	3.2	-0.1	Consumer discretionary	Satellite TV
PI Industries	3.0	3.0	0.0	Materials	Agricultural chemicals
Total	38.7	33.4	+5.3		

Source: Marten & Co

Jyothy Laboratories

Jyothy Laboratories is a household products company. Like most consumer stocks, there was a lot of apprehension about the possible effects of demonetisation on Jyothy's sales. In January 2017, Jyothy acknowledged a short-term hit (9.5% fall in sales for November 2016) but reported that overall demand was returning to normal. Overall growth in sales for the last three months of 2016 was 3.5%. Gaurav thinks the outlook for the company is fairly positive. It is a beneficiary of the levelling of the playing field effect that we discussed on page 5. Jyothy bought Henkel's Indian business in 2011 and now Henkel is looking at taking a 25% stake in Jyothy. Gaurav says that Jyothy is negotiating with Henkel from a position of strength.

Welspun India

Welspun India is worth highlighting. This was a stock that we mentioned in our October note after it hit problems with its exports of Egyptian cotton products to the US. Gaurav had intensive discussions with the management team and added to the position after it more than halved in price (hitting a low around ₹47). The problem seems to have been a one-off and has not impacted Welspun's business outside of this product line. The shares are now trading at over ₹80 having recovered strongly.

Sobha Developers

This is the only property company in IGC's portfolio. Gaurav says that it is focused on property development in Bangalore where the land transactions are clean and the end customer is often connected to the IT industry. He does not think this company will be affected by a clampdown on corruption within the industry. He does not doubt the quality of the management in Sobha or the quality of its balance sheet.

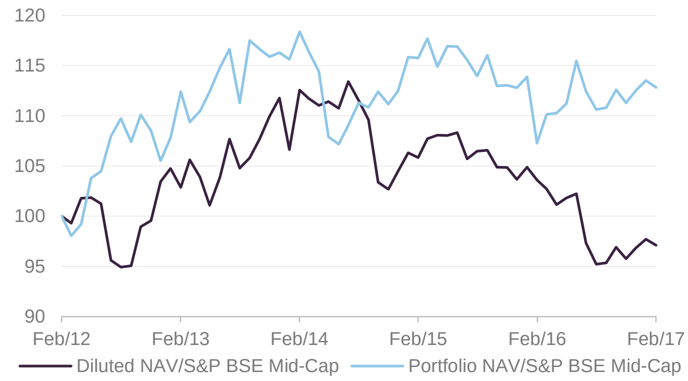
Manpasand Beverages

Manpasand Beverages is a new entrant to the portfolio. Gaurav had been following it for some time and liked the company but found it too expensive. It was only in the wake of the market upset following demonetisation, coupled with a negative reaction to a research report (that Gaurav disagreed with), that it met his valuation criteria. Manpasand's core product line is mango-based drinks but it has been expanding into other fruit-based drinks and coconut water. Net sales have risen by 6.5x over its past five financial years. Its plants are operating at full capacity and so it is in the process of establishing four new plants that will allow it to more than double production. Gaurav was buying stock around ₹520. Today it is trading around ₹720.

Performance

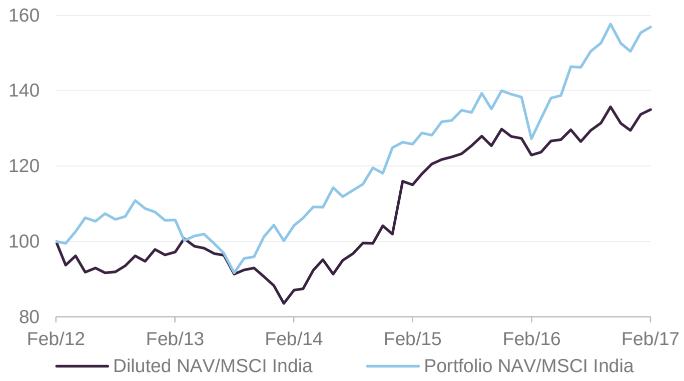
As in previous notes, we look at both the returns achieved for investors (which are distorted by the subscription shares that were in issue between August 2014 and August 2016) and the returns that the portfolio delivered – the portfolio returns in Figures 6, 7 and 9.

Figure 6: IGC performance relative to S&P BSE Mid Cap



Source: Morningstar, Bloomberg, Marten & Co,

Figure 7: IGC performance relative to MSCI India



Source: Morningstar, Bloomberg, Marten & Co

As Figure 6 shows, relative to the S&P BSE Mid Cap, IGC's portfolio has performed in-line with the index over the past few years, after a period of good relative performance in 2012/13. Shareholders were issued with subscription shares, on a one for two basis, in August 2014. This had the effect of diluting NAV returns but a shareholder who kept their subscription shares would have received relative returns in line with the portfolio return in Figure 6.

Mid caps outperforming large caps

The outperformance against MSCI India is more pronounced. Figure 8 shows how the large-cap MSCI India Index has underperformed the mid cap S&P BSE Index in recent years. This has been a driver of IGC's good performance relative to its peer group (explored in the next section).

Figure 8: MSCI India relative to S&P BSE Mid Cap

Source: Morningstar, Marten & Co

Looking at more recent performance in the first couple of columns in Figure 9, the six-month period ended 28 February 2017 benefitted from increased investments from global emerging markets investors.

Ocean Dial says that financials – in particular the banking stocks – did well. These were led by Federal Bank (up 27%), Indian Bank (up 28%) and Yes Bank (up 20%). All of these banks fell sharply immediately post demonetisation and then more than recovered their losses after it became clear that the earnings impact of demonetisation would be short-lived.

Similarly, consumer staples and discretionary positions also performed strongly. Ocean Dial highlights the three stocks we discussed previously: Jyothy Laboratories (up 21%), Manpasand (up 31%) and Welspun (up an impressive 83%). It also mentions alcohol producer, Radico Khaitan (up 25%) and Balkrishna Industries, which makes off-road tyres for export (up 49%). This last stock, which it has held for some time, rallied as markets priced in strong operating leverage as a stronger global economy drives increased capacity utilisation.

On the downside, one notable move was a sharp fall in Divi's Labs which fell 42% over the period as it received a 483 notice from the FDA noting five observations on problems with their manufacturing facility in Vizag. This was followed up on March 21 by an import ban on some of Divi's products. Ocean Dial says it has used the weakness to strengthen IGC's position. Though it thinks it is likely that it will take some time for Divi's Labs to clear its name and for normal practice to be resumed, Ocean Dial remains confident that Divi's Labs will come through this period of adversity stronger.

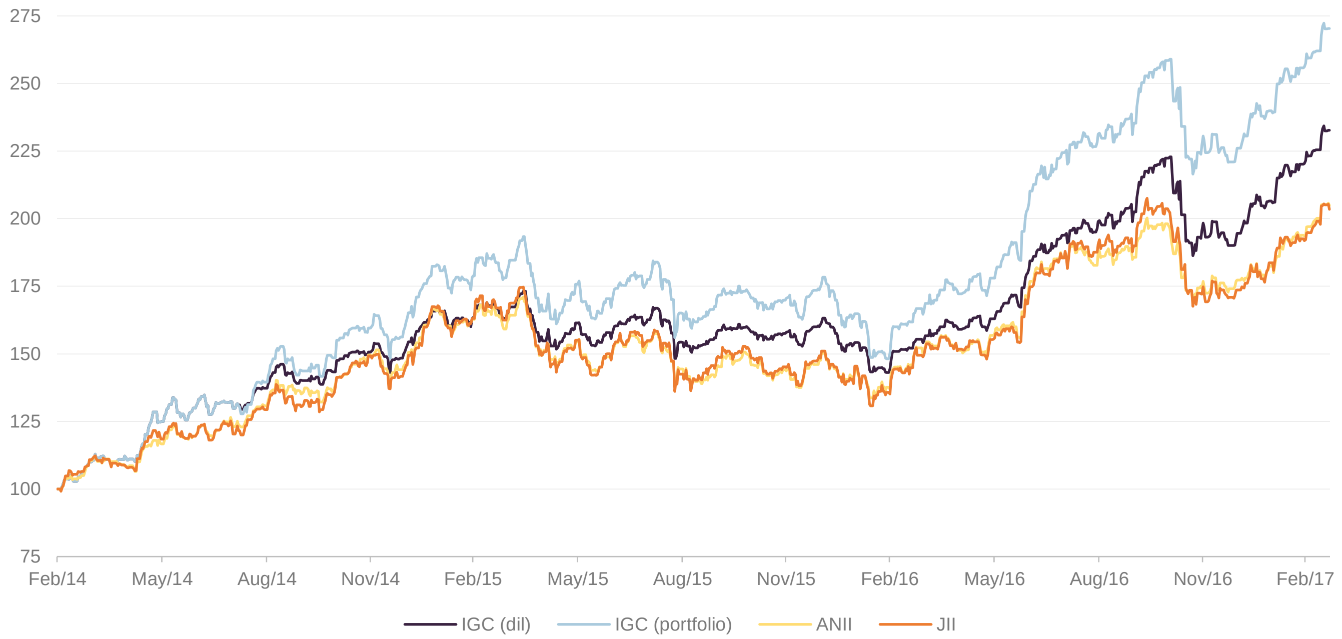
Figure 9: Cumulative total return performance for periods ending 28 February 2017

Heading	3 months	6 months	1 year	3 years	5 years
India Capital Growth NAV (diluted)	11.7	11.1	53.3	121.5	108.9
India Capital Growth NAV (portfolio)	11.7	11.1	71.2	157.4	142.8
India Capital Growth share price	12.3	13.9	44.3	126.6	113.9
S&P BSE Mid Cap	12.3	9.3	64.1	170.1	114.7
MSCI India	11.4	6.6	41.2	71.1	55.7

Source: Morningstar, Bloomberg, Marten & Co

Peer group

Figure 10: IGC NAV performance versus listed peers



Source: Morningstar, Ocean Dial, Marten & Co

Up- to-date information on IGC and its peers is available on the **QuotedData website**

Figure 10 makes it clear that IGC has outperformed its two listed rivals, Aberdeen New India (ANII) and JPMorgan India (JII). The graph shows the performance of both the diluted NAV and IGC's portfolio (see performance section for explanation). It is interesting that there is little difference between the performance of the two competitors, both of which have portfolios that focus more on large-cap stocks than IGC. The same pattern is evident in Figure 11.

Figure 11: Indian equity funds subsector comparison (NAV total return data in sterling as at 28 February 2017)

	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 year (%)	5 years (%)
India Capital Growth (diluted)	7.5	11.7	11.1	53.3	121.5	108.9
India Capital Growth (portfolio)	7.5	11.7	11.1	71.2	157.4	142.8
Aberdeen New India	7.5	9.4	2.9	41.3	93.5	82.2
JPMorgan Indian	6.3	10.0	0.0	42.2	92.2	73.9

Source: Morningstar, Marten & Co

Figure 12 shows how the funds compare on other measures. As IGC's market cap hovers around the £100m mark, further positive performance should push it through this figure, expanding the range of potential investors in the fund. We would point out though that IGC's average daily turnover already exceeds that of Aberdeen New India, by value, and, as a percentage of its markets cap, IGC is turning over 2.6x as much as its rivals.

IGC's discount looks anomalously wide compared to its peers, especially when its long and short-term outperformance is taken into consideration. Some commentators might suggest that this reflects its bias to small-and-medium-sized companies but, in this regard, it is worth remembering Gaurav's focus on liquidity when selecting stocks for inclusion in the portfolio.

IGC's ongoing charges ratio is higher than its peers but this is falling as the fund expands.

Lastly, IGC is delivering better risk-adjusted returns than its competitors as is evidenced in the final column of Figure 12.

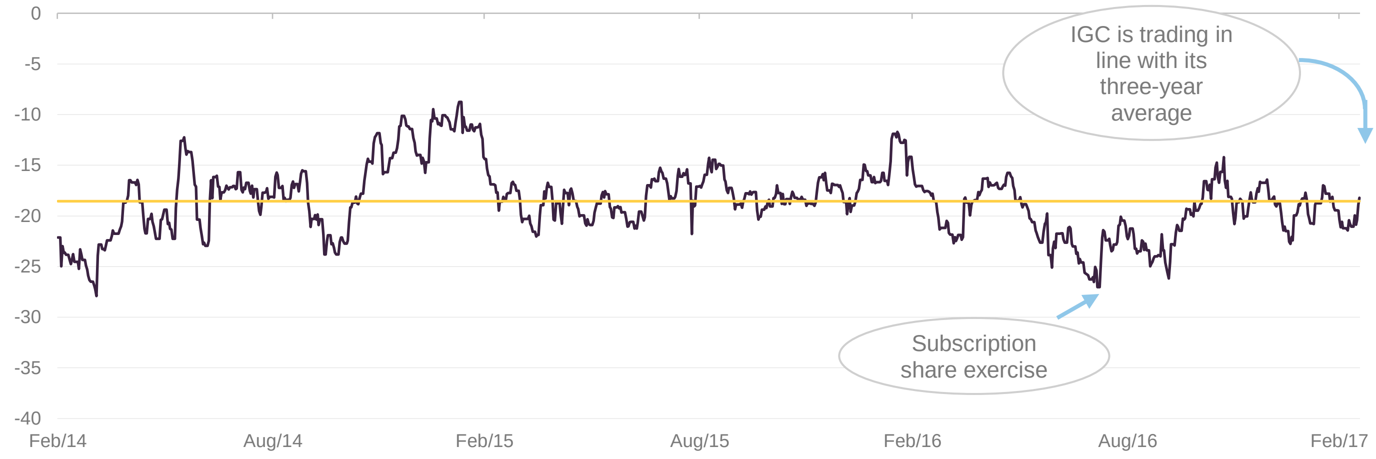
Figure 12: Indian equity funds subsector comparison (data as at 27 March 2017 except risk data which is to 28 February 2017)

	Market Cap (GBPm)	1 yr. avg. daily volume (GBP)	Daily volume as a % of market cap	Discount (%)	Ongoing charge (%)	3 year standard deviation (%)	3 year information ratio
India Capital Growth	97	285,670	0.29	(18.1)	1.96	25.6	2.1x
Aberdeen New India	252	281,419	0.11	(11.5)	1.30	21.6	1.9x
JPMorgan Indian	727	809,187	0.11	(10.6)	1.22	21.4	2.0x

Source: Morningstar, Marten & Co, *Note: IGC's ongoing charges of 1.96% is a historic figure. The increase in size should lead to a reduction in ongoing charges, for the current financial year, as IGC's fixed costs are spread over a larger asset base. The manager estimates ongoing charges to be 1.85% for an AUM of £100m.

Discount

Figure 13: Premium/(discount) to diluted NAV over three years



Source: Morningstar, Marten & Co.

The discount widened in advance of the exercise of IGC's subscription shares in August 2013 but narrowed afterwards when investors realised that there was no overhang of stock as a result of this share issue. Over the past 12 months, the discount has been moving in a range between 14.2% and 27.0% with a median of 20.2%.

The discount today is narrower than the 12-month average but it does remain stubbornly wide. There is no formal discount target. However, both the board and the manager are keen to see it narrow.

Fees and costs

The Investment Manager is entitled to receive a management fee payable jointly by IGC and ICG Q Limited (see page 6 for an explanation), equivalent to 1.5% per annum of gross assets less current liabilities. Either side must give 12 months' notice to end the contract. There is no performance fee.

The administrator is Apex Fund Services (Guernsey) Limited. It is entitled to a minimum annual fee of US$41,000 or a flat fee of five basis points of the NAV of the company, whichever is greater. This worked out at £56,740 for the year ended 31 December 2016 (£33,000 for the year ended 31 December 2015). The custodian of IGC's assets is, Mumbai-based, Kotak Mahindra Bank Limited. Cash is held, sometimes as short-dated government securities, in both Mauritius and India.

The ongoing charges ratio for the year ended 31 December 2016 was 1.96% which compares to a rate of 2.09% for 2015. The lower fee reflects the fact that fixed costs are spread across a larger pool of assets as a consequence of investment performance and post the exercise of the subscription shares in August 2016.

Capital structure and life

IGC's capital structure consists solely of 112,502,173 ordinary shares. IGC's subscription shares were all exercised in August 2016, raising £22.875m for the company.

At 31 December 2016, 22.5% of IGC's ordinary shares were owned by Lazard Asset Management; 6.6% were owned by LIM Asia Multi Strategy Fund; 6.2% were owned by Miton Worldwide Growth Investment Trust; and. 4.9% were owned by Gramercy Funds Management.

IGC has an unlimited life. Its year end is 31 December and this year its Annual General Meeting is in September.

The manager does not use gearing

The manager does not employ gearing in the management of the fund. This reflects the relative volatility of the Indian stock market. The manager will normally keep cash of 3-4% on hand to take advantage of attractive investment opportunities as they arise.

In October 2016, Stockdale Securities replaced Numis Securities as sole broker to IGC.

Board

The board consists of three non-executive directors, all of which are independent of the manager. As illustrated in Figure 14, Fred Carr is the longest serving director and, coincidentally, he also has the largest personal shareholding in the fund.

Figure 14: The board

Director	Position	Appointed	Length of service (years)	Annual fee (GBP)	Shareholding
Fred Carr	Chairman	17/09/09	7	28,000	150,000
John Whittle	Director	17/11/11	5	20,000	30,000
Peter Niven	Chairman of the Audit Committee	11/08/11	5	22,000	37,500

Source: Marten & Co

Vikram Kaushik stepped down from the board with effect from 30 June 2016 having served as a director for four years. Any director who has served for more than nine years stands for re-election annually and one third of the remaining directors retire by rotation at each AGM and seek re-election.

The maximum total payable to the directors is set in the Articles as £100,000.

Previous research publications

Readers interested in further information about IGC, may wish to read our initiation note *Compounding machine,* published on 23 March 2016 and our update notes, *Indian powerhouse* and *India at a significant discount,* published on 8 July 2016 and 21 October 2016 respectively. You can read the notes by clicking on them in Figure 15 or by visiting our website, www.martenandco.com

Figure15: Marten & Co previously published research on IGC

Title	Note type	Date
Compounding machine	Initiation	23 March 2016
Indian powerhouse	Update	8 July 2016
India at a significant discount	Update	21 October 2016

Source: Marten & Co.

MARTEN & CO

Authorised and regulated by the Financial Conduct Authority
123a Kings Road, London SW3 4PL
0203 691 9430

www.martenandco.com

Registered in England & Wales number 07981621,
2nd Floor Heathmans House
19 Heathmans Road, London SW6 4TJ

Investment company sales:

Edward Marten
(em@martenandco.com)

Christopher Bunstead
(cb@martenandco.com)

Investment company research:

James Carthew
(jc@martenandco.com)

Matthew Read
(mr@martenandco.com