

Defence Dynamics StockBucket

Key Details:

- **Scheme:** Defence Dynamics StockBucket
- **Subscription charges:** ₹ 500/-
- **Managed By:** Elite Wealth Research
- **Volatility:** Med. Volatility
- **Minimum Investment:** ₹ 17,000/-

Overview:

Are you interested in making investments but are unsure where to begin? Think about building a defence stock portfolio! There is a substantial defence manufacturing industry in India, and the GOI aims to reduce the country's reliance on foreign suppliers for defence procurement. The GOI has supported 'Make in India' initiatives through a variety of programmes to modernising its armed forces. By 2025, the GOI wants to produce \$25 billion worth of defence goods, of which \$5 billion would come from exports. India is one of the top defence spenders in the world with a total spending of 5.25 lakh crore (US\$ 66 billion), accounting for 13.31% of the entire budget. The following are some advantages of buying defensive stocks:

- Investing in defence stocks can provide investors with stable earnings and consistent dividend payouts.
- The defence industry requires a significant amount of capital, expertise, and regulatory approvals, which can create high barriers to entry for new players.
- With increasing geopolitical tensions, the demand for defence products is likely to grow, providing growth opportunities for defence companies.
- Investing in defence stocks can provide diversification to an investor's portfolio, as defence companies operate in various segments such as aerospace, land systems, naval systems, and cybersecurity, providing exposure to different markets and geographies.
- Defence companies often have long-term contracts with governments, providing them with a stable revenue stream and a high degree of visibility into future earnings.
- The defence industry is typically less impacted by economic cycles due to its essential nature, providing a degree of stability to investors.
- The defence industry is often at the forefront of innovation, with companies investing heavily in research and development to create new products and technologies. This can provide growth opportunities for investors.
- The defence industry is often seen as a defensive sector, providing a degree of protection to investors during times of market volatility.

In 2019, India was the 19th-largest exporter of defence goods globally, shipping to 42 different nations. India currently exports to more than 75 nations after its defence exports increased by 334% over the previous five years. By 2027, the Defence Ministry wants to see a 70% armament self-sufficiency rate, which will be a tremendous opportunity for business. The Indian government's emphasis on relaxing limits on foreign investment in order to realise India's vision of an "**Atmanirbhar Bharat**" points to the Indian defence sector's rapid expansion.

Methodology:

- **Defining the universe:** All publicly traded companies on the National Stock Exchange of India are included in the universe.
- **Research:** The Elite Wealth Research team does in-depth research, along with internal presentations, and decides the criteria to be used for constituent screening.
- **Historical back-testing:** Defence Dynamics StockBucket by the Elite Wealth Research Team is checked for historical outperformance to ensure that only consistently outperforming strategies are selected.

- **Stock Screening:** The stock screening is done through the B.I.G.P.I.C. stock selection process which is as follows:
 - **Broader Markets:** No stock decision is taken without domestic and Global economic considerations
 - **Industry Analysis:** The focus is to follow a top-down approach to pick the Leaders from the outperforming Industries.
 - **Growth Trajectory:** Elite's radar stretches to only those companies that have shown quarterly growth (y-o-y) as well exponential Annual Growth in EPS.
 - **Promoter and Management:** Study of the Promoters and the Board of Directors.
 - **Institutional Backing:** More weightage is given to sectors targeted by MFs, AMCs, Banks, etc.
 - **Charts and Technicals:** Entry into positions will be well-timed and technical indicators will be used to support our investment theory
- **Weighting:** The list of selected stocks is weighted such that the risk contribution of each stock in the StockBucket is equal. By focusing on risk instead of market cap or value, this weighting scheme provides better diversification and protection against market volatility
- **Rebalance:** This StockBucket is rebalanced as and when required.

Stocks & %Allocation:

- **Stocks:** 8
- **Rebalance Frequency:** As per the requirement

Stocks & Segments	% Allocation	Number Of Shares
Engineering		
Hindustan Aeronautics Ltd.	20.00%	1
Bharat Dynamics Ltd.	10.00%	1
Paras Defence and Space Technologies Ltd.	8.00%	2
Electronics		
Bharat Electronics Ltd.	23.00%	32
DCX Systems Ltd.	7.00%	5
Ship Building & Allied Services		
Mazagon Dock Shipbuilders Ltd.	10.00%	2
Industrial Explosives		
Solar Industries India Ltd.	15.00%	1
Aerospace & Defence		
Astra Microwave Products Ltd.	7.00%	3

