



August 2019

Motilal Oswal Business Opportunities Strategy

MOTILAL OSWAL
Asset Management
PORTFOLIO STRATEGY

**BUY RIGHT
SIT TIGHT**

Motilal Oswal Business Opportunities Strategy

- The PMS Strategy will invest in a high conviction **concentrated portfolio** of minimum 20 stocks
- The portfolio will be constructed based on in-depth research leading to **bottom-up stock picking with a view of equities from 3 – 4 years** perspective
- High Conviction portfolio which will invest across market capitalization and will primarily focus on
 - **Consumer Discretionary** – Beneficiary of Doubling of per Capita GDP
 - **Private Banks and NBFC** – Play on Value Migration from Public sector to Private sector
 - **Agriculture** – A Play on Rising Rural Income
 - **Affordable housing** – Governments Focus on Housing for All by 2022
 - **GST Beneficiaries** – Business Migration from Unorganized to Organized

Themes we Believe in

**Consumer
Discretionary**

**Beneficiary of Doubling
of Per Capita GDP**

Private Bank & NBFC

**Value Migration from
Public Sector to Private
Sector**

Agriculture

**A Play on Rising Rural
Income**

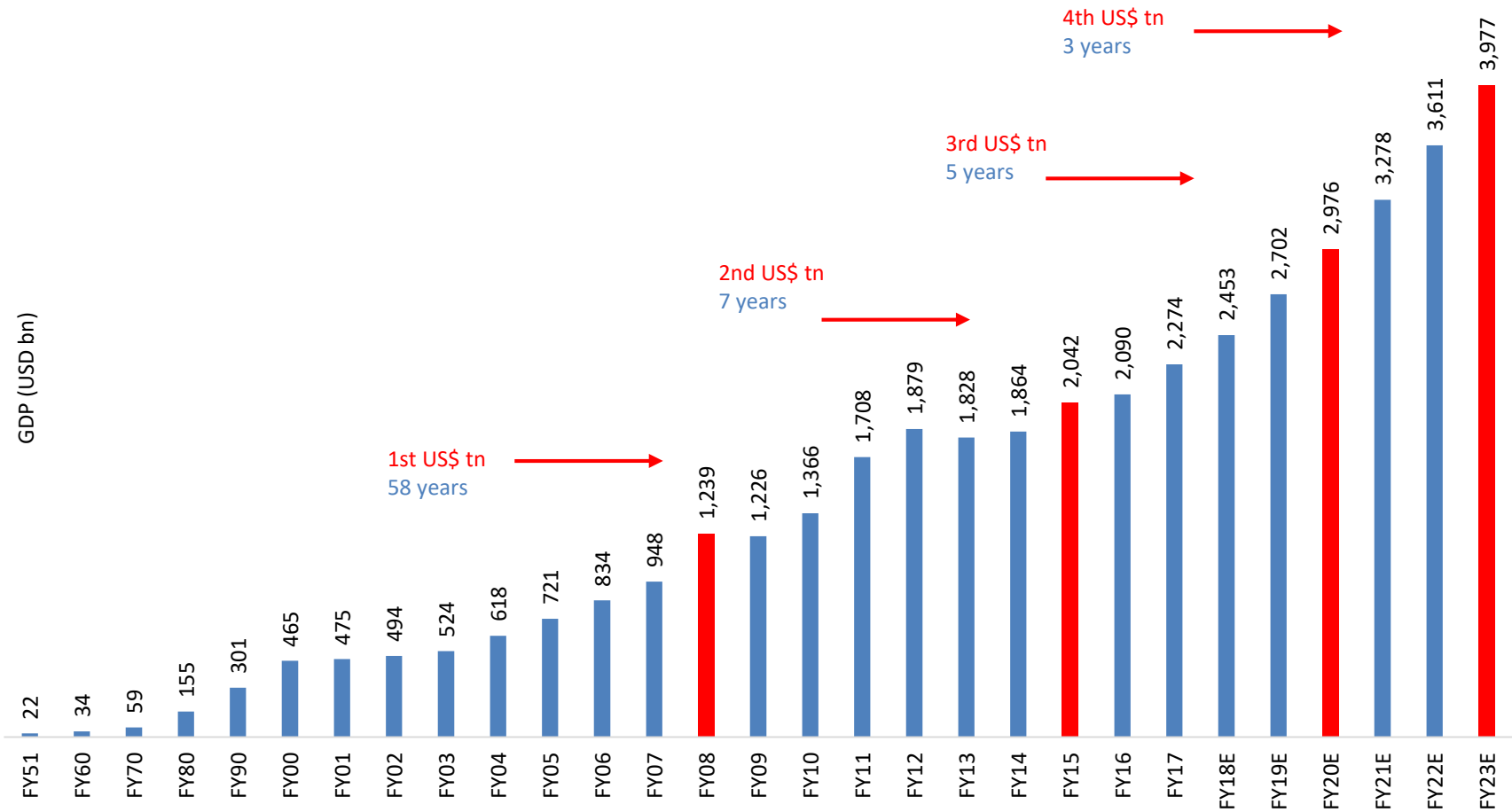
Affordable Housing

**Government Focus on
Housing for All by 2022**

GST Beneficiary

**Business migration from
Unorganized to
Organized**

Rise in GDP - Creates Disposable Income

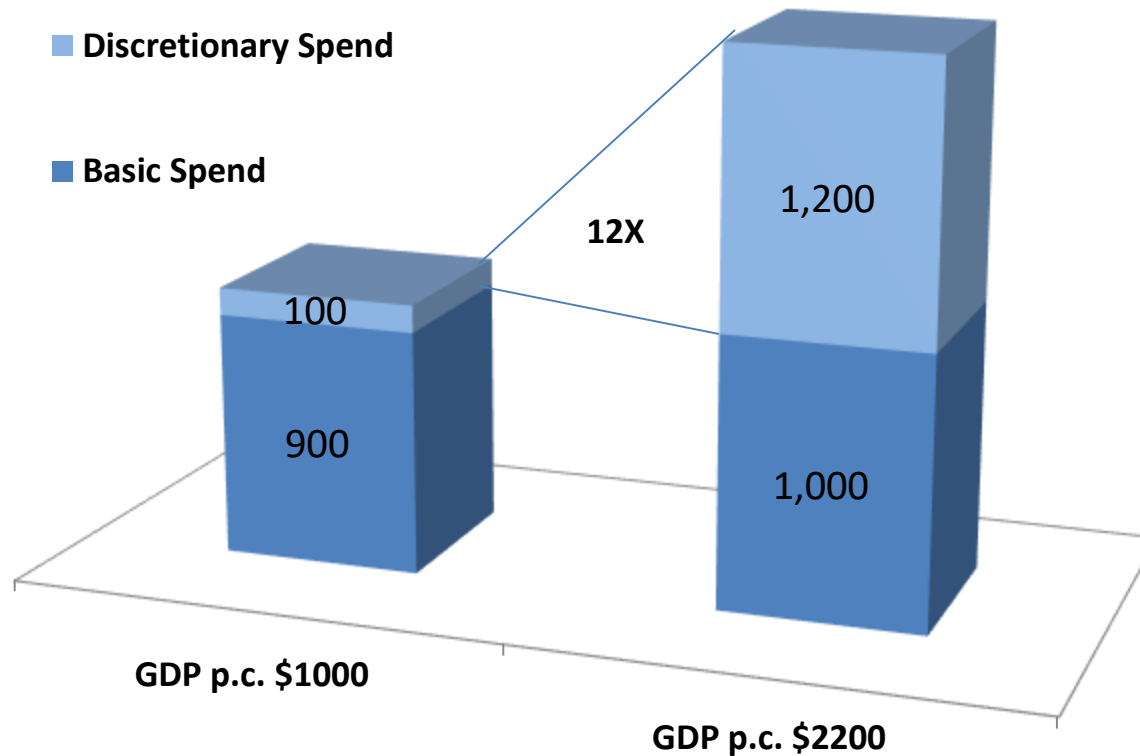


Source: statisticstimes.com

Note: Above forward-looking statements are based on external current views and assumptions and involve known and unknown risks and uncertainties that could affect actual results.

Exponential opportunity in Consumer Discretionary Space

When per capita GDP doubles, discretionary spend becomes 12x

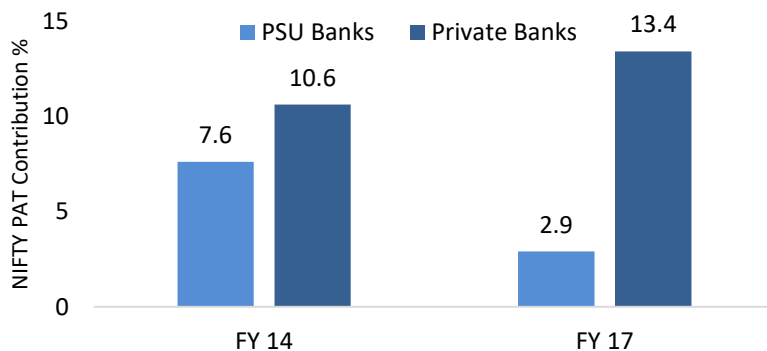


Value Migration in Banking

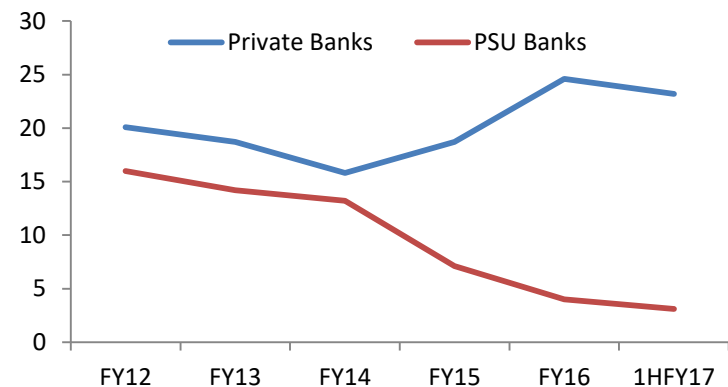
At present, PSU banks have ~70% market share Vs 30% with private banks

- The total stressed assets in PSU Banks – Rs 10 lakh crores, causing dent to their lending ability
- Economy is expected to grow by 7%#, **Credit growth expected to be 2X** from banking sector
- Credit growth largely to benefit Private Sector banks as PSU Banks are struggling with Non Performing loans and stretched tier 1 capital adequacy ratio
- Private banks **PAT contribution to Nifty 50** was 13.4% in FY17, as compared to PSU banks with 2.9% and expected to grow further
- Data Analytics, IT Infrastructure and Dynamic workforce – added advantage for private banks

PAT Contribution in NIFTY 50 – Private Vs PSU Banks



Loan Growth : Private Banks outpacing the Public Banks



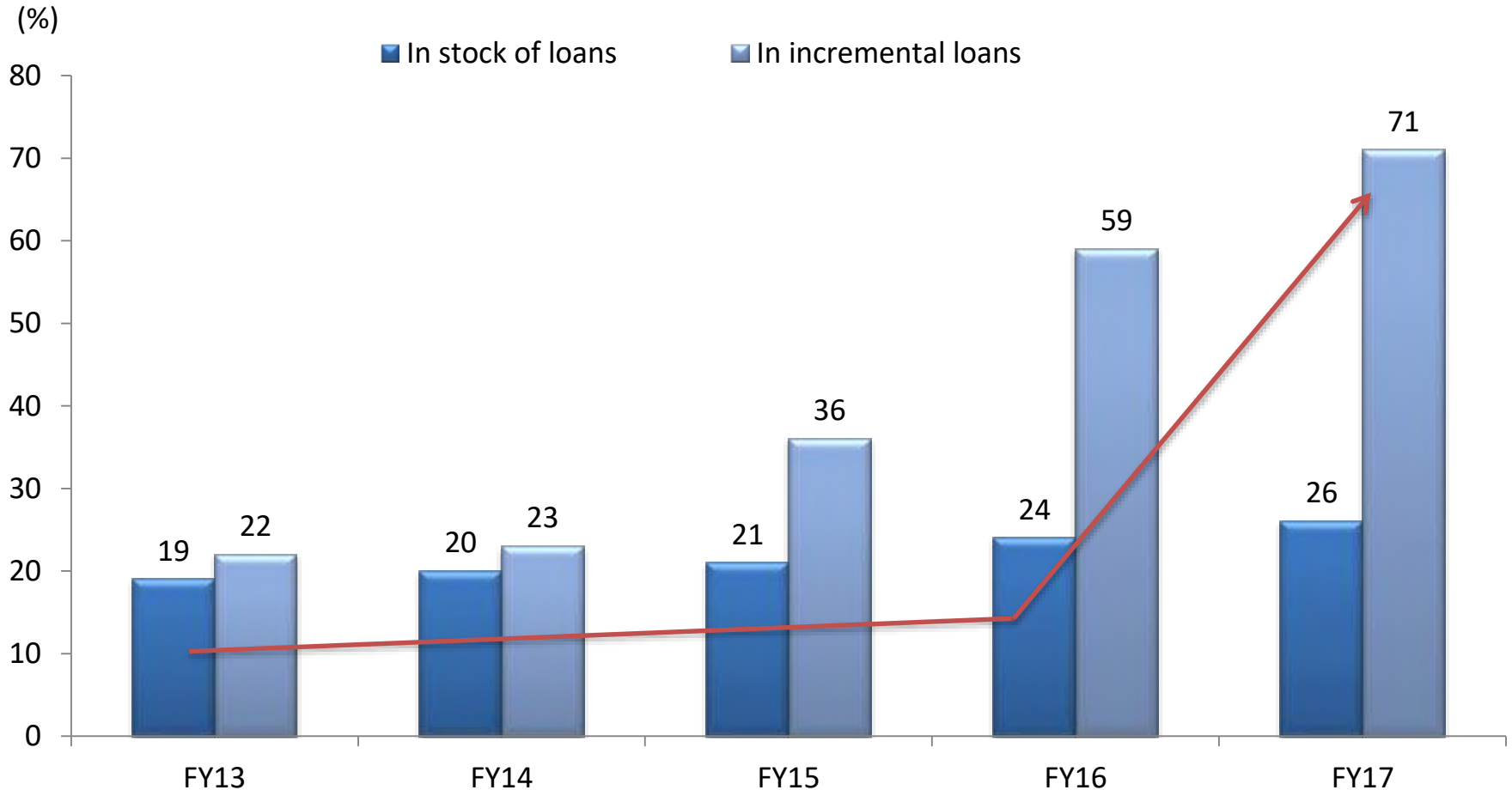
Source: MOSL

Source: www.ibef.org as on June 2017

The statements made herein may include statements of future expectations and other forward-looking statements that are based on our current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Past performance may or may not be sustained in future

Private Banks gaining market share

Private banks contributed > 70% of incremental bank lending in FY17



Source: Banks, CLSA

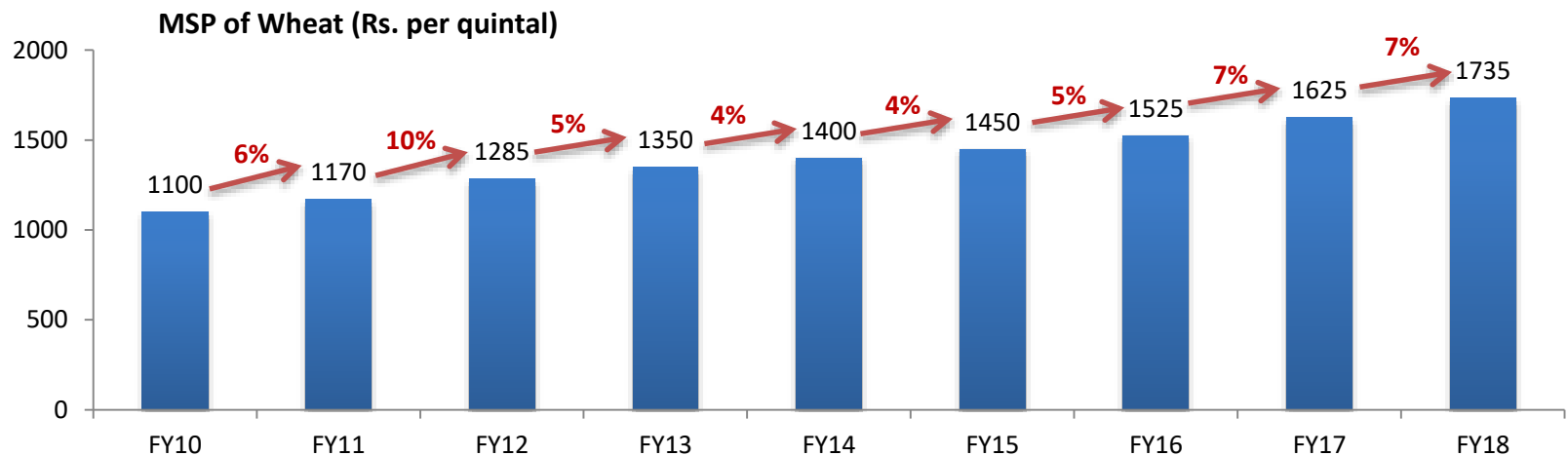
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Agriculture Growth: Rise in Rural Income

Government wants to Double the Farm Income by 2022

- **Agriculture infrastructure** - increasing investments in agricultural infrastructure such as irrigation facilities, warehousing and cold storage
- **Increase in crop yield** - Use of genetically modified crops will likely improve the yield
- **Subsidies and Incentives** - Short-term crop loans at subsidized interest rate of 7% p.a. & additional incentive of 3% for prompt repayment
- Total **Budget allocation** for rural, agricultural and allied sectors for FY2017-18 has been increased by 24%
- Increase in Rural income led by rise in MSP's (Minimum Support Price) will create demand in related sectors like **Agrochemicals, Consumer Staples and Consumer Discretionary**

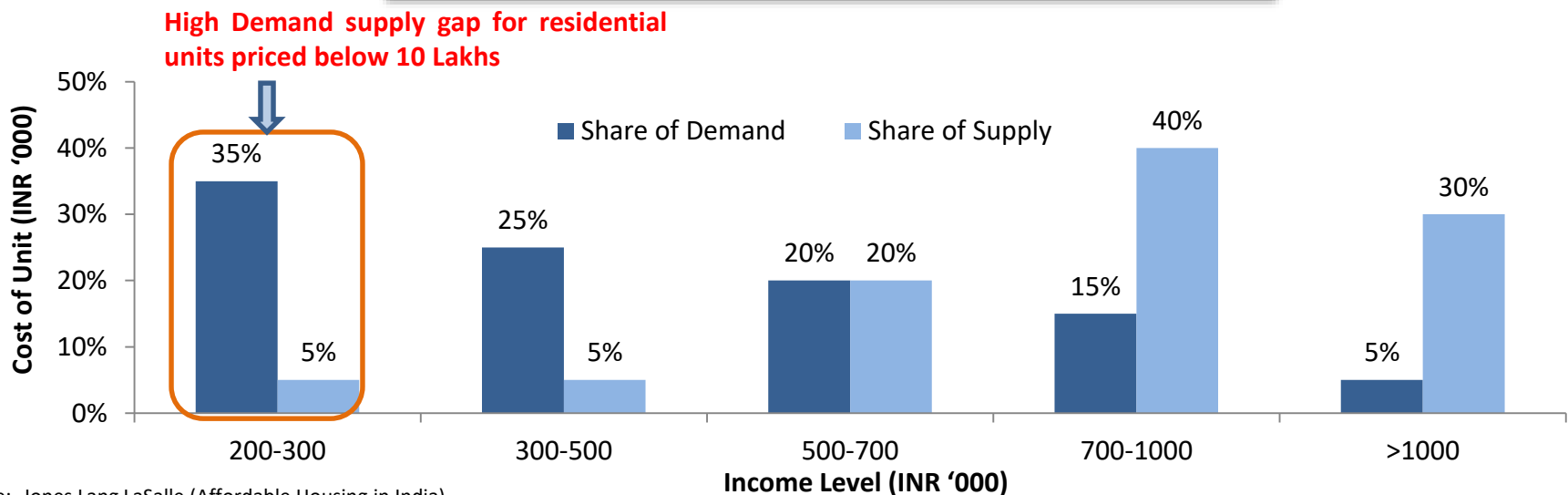
MSP of wheat has risen from Rs.1,100 in FY10 to Rs.1,735 currently



Economic growth, urbanization and rapid change in socio-economic profile will drive demand

- Government vision – ‘Housing for all by 2022’
- **Rising disposal income** - Per capita income is expected to increase from 2,800 USD in 2012 to USD 8,300 by 2028*
- 10 million people moving to urban cities every year, is likely to increase the demand#
- Growth in Affordable housing will create parallel demand in related sectors like **Cements, Paints, Tiles, Plastic Pipes and Electricals**

Demand supply dynamics of housing for various income



Source:- Jones Lang LaSalle (Affordable Housing in India)

* Source: PWC: Building the economy block by block

Source: www.kpmg.com

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Affordable Housing: Impact on Different Sectors

Construction of 60m units
over FY 18 -24

Total spend on housing
over 7 years: US\$ 1.3 trn

Multiple Sector Linkages

Sector	Cement	Steel	Paints	Wood Panel	Tiles	Plastic Pipes	Light Electricals	Adhesives Construction Chemicals
Demand linked to housing	US\$ 14 bn	US\$ 12 bn	US\$ 4.5 bn	US\$ 3.7 bn	US\$ 3.5 bn	US\$ 2.1 bn	Us\$ 2.1 bn	US\$ 1.1 bn
FY 14-17 industry growth	3%	3% ¹	9%	1%	8%	5%	8%	8%
FY17-24 Expected growth	12%	8% ¹	15%	12%	11%	14%	13%	13%

Note: Industry size data based on CLSA estimates for housing led demand in each building materials sub-sector. Light electricals include switchgears/switches, fans, lightings & fixtures and water heaters.

Source: MoSPI, Ministry of Commerce, RBI, Ministry of Steel, AceEquity, CLSA as on March 31, 2017

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GST: Movement from Unorganized to Organized

- Portion of economy to migrate from **informal to formal**, leading to a 4.2%* growth in real GDP
- Institutional demand inclined to move towards **branded players**
- Increased **efficiency in businesses** due to reduced state level regime
- Tax evasion to fade away – Unorganized players to loose competitiveness
- Companies in sectors like **paints, appliances, apparel, logistics, plastic pipes, ceramic tiles, batteries**, etc. will stand to benefit

Sector	Benefit of moving to Organized Segment	Change in Tax Rate	Supply Chain Management	Overall
Auto-Batteries				
Logistics				
Apparels				
Pipes, Ceramics				

Sector	Unorganized Share	Organized Share
Auto-Batteries	40%***	60%
Logistics	92%**	8%
Apparels	70%***	30%
Pipes, Ceramics	50%***	50%

Highly Positive
 Positive
 Slightly Positive
 Neutral

Source:- The Financial Express

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*Source:- www.federalreserve.gov.in

**Source:- KPMG India Retail the next growth story

***Source:- Edelweiss: Analysis Beyond Consensus

MOAMC - Investment Team

**Raamdeo Agarwal Chairman,
MOAMC**



Experience of 38 years in Equities, authoring wealth creation studies for last 21 years

7 Fund Managers



3 Fund Managers in Mutual Fund & 4 in PMS, with overall experience of over 95 years

**2 Senior Research Analysts &
5 Analysts**



Experienced pool of analyst covering sectors with cumulative experience of 65 Years

7 Dealers



3 dealers for Mutual Fund & 4 in PMS & AIF with 50 – 55 years of cumulative experience

Over 250 years of cumulative experience in managing equities and wealth creation



Manish Sonthalia
Head Equity PMS and Alternatives

- As one of the founding members of the MOAMC's business, Manish today heads the Managed Accounts business and is the Portfolio Manager for the firm's PMS Strategies and AIFs
- He has been with the Group for over 14 years.
- He has a cumulative 26 years of experience across equity fund management and research covering Indian equity markets.
- He holds a Bachelors Degree in Commerce (Hons) , Chartered Accountancy, Cost & Works Accountancy, Company Secretaries. He has also completed his Masters of Business Administration in Finance from IISWBM.

MOAMC - Investment Philosophy

At Motilal Oswal Asset Management Company (MOAMC), our investment philosophy is centered on 'Buy Right: Sit Tight' principle

Buy Right

- ❖ **'Q'uality** denotes quality of the business and management
- ❖ **'G'rowth** denotes growth in earnings and sustained RoE
- ❖ **'L'ongevity** denotes longevity of the competitive advantage or economic moat of the business
- ❖ **'P'rice** denotes our approach of buying a good business for a fair price rather than buying a fair business for a good price

Sit Tight

- ❖ **Buy and Hold:** We are strictly buy and hold investors and believe that picking the right business needs skill and holding onto these businesses to enable our investors to benefit from the entire growth cycle needs even more skill.
- ❖ **Focus:** Our portfolios are high conviction portfolios with 25 to 30 stocks being our ideal number. We believe in adequate diversification but over-diversification results in diluting returns for our investors and adding market risk

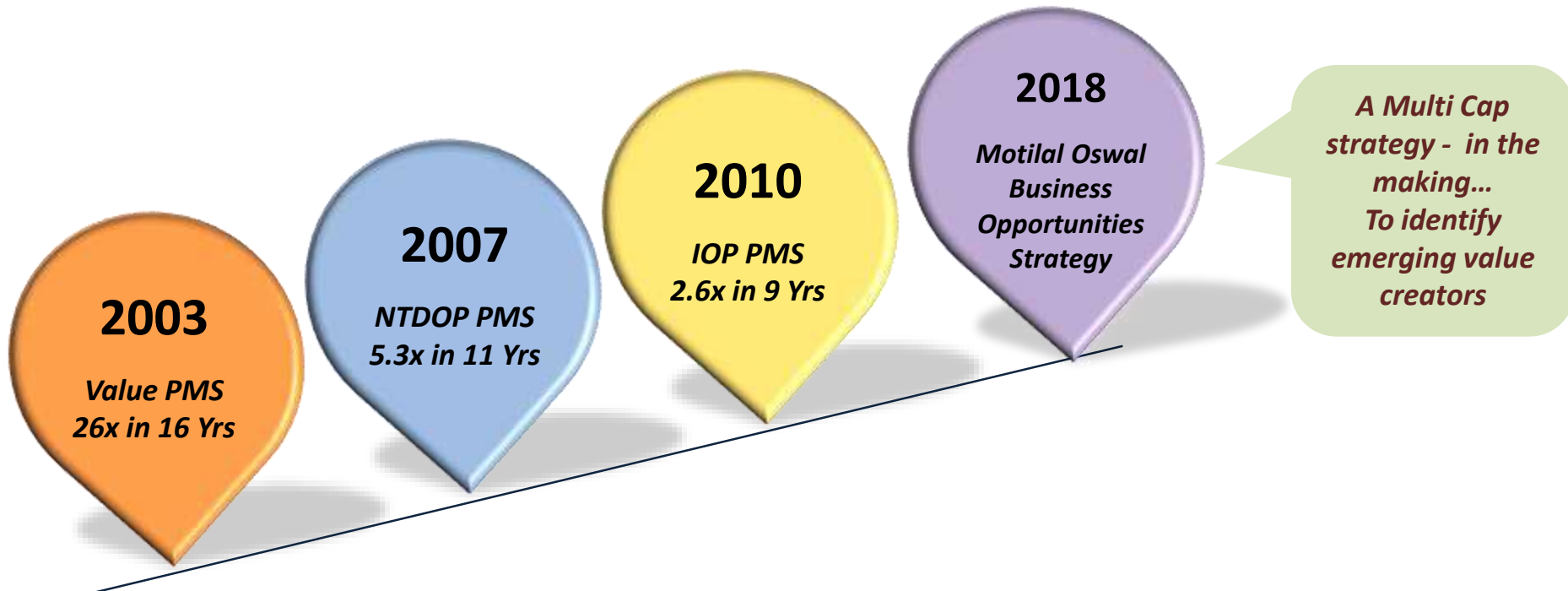
QGLP – The investment philosophy has been framed out of 21 years of annual wealth creation studies authored by our co-founder, Raamdeo Agrawal

Q-G-L-P Demystified



Emergence to Endurance – Key Strength of MOAMC

Portfolio Management Services

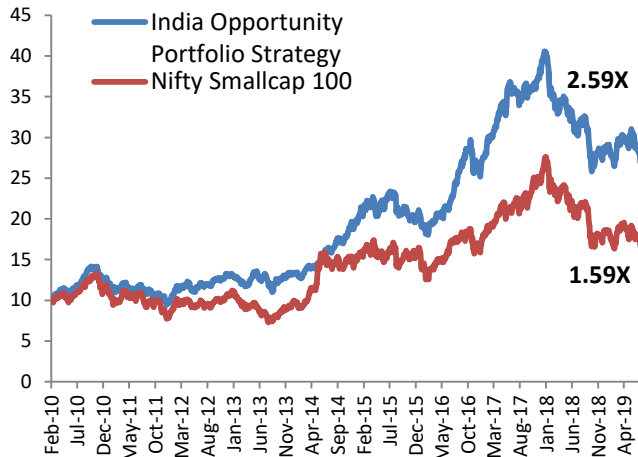


Value has identified wealth creators at an early stage - thus, its market cap increased from ~16k Crs to ~182k Crs

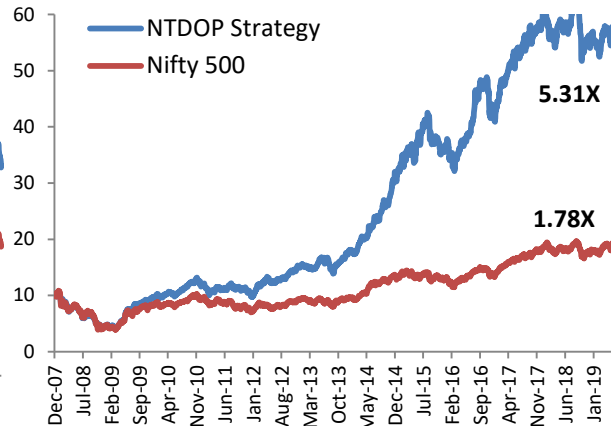
NTDOP's journey started as mid cap strategy and today converging towards maturity & stability

IOP's is a newly created small and mid cap portfolio following the footsteps of NTDOP

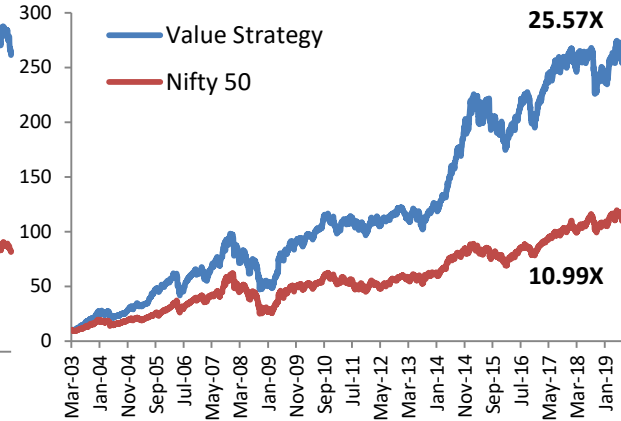
MOAMC – PMS Track Record



Inception Date – February 15, 2010



Inception Date – December 5, 2007



Inception Date – March 25, 2003

1

IOP Strategy

- 9+ years track record
- Mid & Small Cap Portfolio
- Invests in stocks with potential to grow more than the nominal GDP for next 5-7 years
- Focus is on identifying well run companies that are potential leaders in the field of operations

2

NTDOP Strategy

- 11+ years track record
- Diversified Portfolio
- Invest in stocks with potential to be beat the markets
- Concentration on emerging themes which are part of the next trillion dollar GDP growth opportunity

3

Value Strategy

- 16+ years track record
- Large Cap Portfolio
- The focus is on buying blue-chip high growth companies
- To identify potential long-term wealth creators by focusing on individual companies and their management

Data – As on 31st July 2019, The performance shown above is of a model client post fees & expenses. Performance of an individual client may be different, depending on the time of investment in the strategy

MOAMC – Some Success Stories

Multibaggers across PMS strategies...

Stocks	Purchase Date	Purchase Price (INR)	Current Market Price (INR)*	Performance (% Growth)	CAGR (Growth %)
IOP PMS					
DCB Bank	August 2016	110	196	78%	21%
Mahanagar Gas	August 2016	511	808	58%	17%
Aegis Logistics	August 2016	123	186	52%	15%
NTDOP PMS					
Page Industries	December 2007	456	18173	3882%	37%
Bajaj Finance	August 2010	63	3252	5100%	55%
Eicher Motors	August 2010	1,174	16348	1293%	34%
Value PMS					
Hero MotoCorp	June 2003	254	2356	829%	15%
HDFC Bank	July 2008	201	2252	1020%	24%
Eicher Motors	April 2012	2,055	16348	696%	33%

* As on 31st July 2019

The given stocks are part of portfolio of a model client of respective PMS Strategies. The Stocks mentioned above are used to explain the concept and are for illustration purpose only and should not be used for development or implementation of an investment strategy. The stocks forming part of the existing portfolio of PMS Strategies may or may not be bought for new clients of PMS Strategies. The stocks may or may not be part of the Fund. It shall not be constitute as an advice, an offer to sell/purchase or as an invitation or solicitation to do so for any securities. The portfolio would constitute number of stocks having different weightage in the PMS portfolio. The Stocks held in the portfolio may or may not give positive returns. Past performance may or may not be sustained in future. Motilal Oswal AMC does not provide any guarantee/ assurance any minimum or maximum returns

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