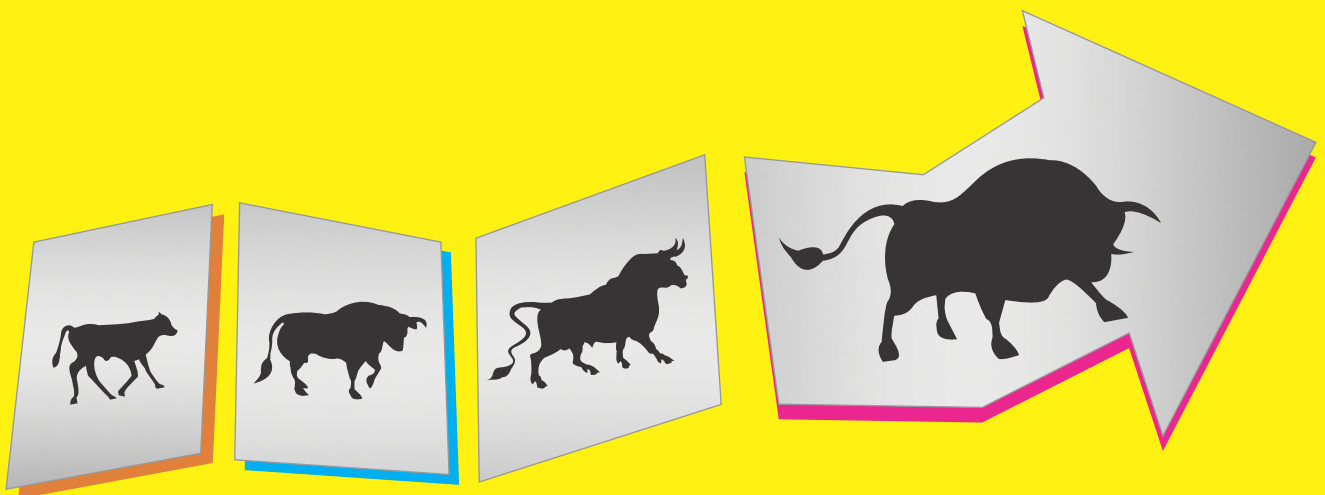


# MONTHLY Communique

As on 31<sup>st</sup> January 2021



## **BUY RIGHT : SIT TIGHT**

Buying quality companies and riding their growth cycle

**THINK EQUITY**  
**THINK MOTILAL OSWAL**

**MOTILAL OSWAL**  
Asset Management  
**PORTFOLIO STRATEGY**

**BUY RIGHT**  
**SIT TIGHT**

# Value Strategy

## Investment Objective

The Strategy aims to benefit from the long term compounding effect on investments done in good businesses, run by great business managers for superior wealth creation. Value is a large cap\* oriented strategy where investments are made with long term perspective with industry leaders.

\*The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy

## Details

Fund Manager : Shrey Loonker  
 Co-Fund Manager : Susmit Patodia  
 Strategy Type : Open ended  
 Date of Inception : 18th February 2003  
 Benchmark : Nifty 50 TRI  
 Investment Horizon : 3 Years +

## Market Capitalization

Market Capitalization	% Equity
Large cap	70.53
Mid cap	28.62
Small cap	0.0

## Top 10 Holdings

Particulars	% Allocation
Max Financial Services Ltd.	11.9
ICICI Bank Ltd.	10.7
HDFC Life Insurance Company Ltd	7.9
SBI Cards And Payment Services	7.1
HDFC Bank Ltd.	6.4
SBI Cards And Payment Services	5.2
Bharti Airtel Ltd.	5.0
Tube Investment of India Ltd.	3.9
Maruti Suzuki India Ltd.	3.6
LIC Housing Finance Ltd.	3.6

Data as on 31<sup>st</sup> January 2021

## Top Sectors

Sector Allocation	% Allocation*
Banking	20.7
Non-Lending Financials	19.8
NBFC	13.2
Pharmaceuticals	10.4
Consumer Staples	7.1
Cash & Cash Equivalents	0.8

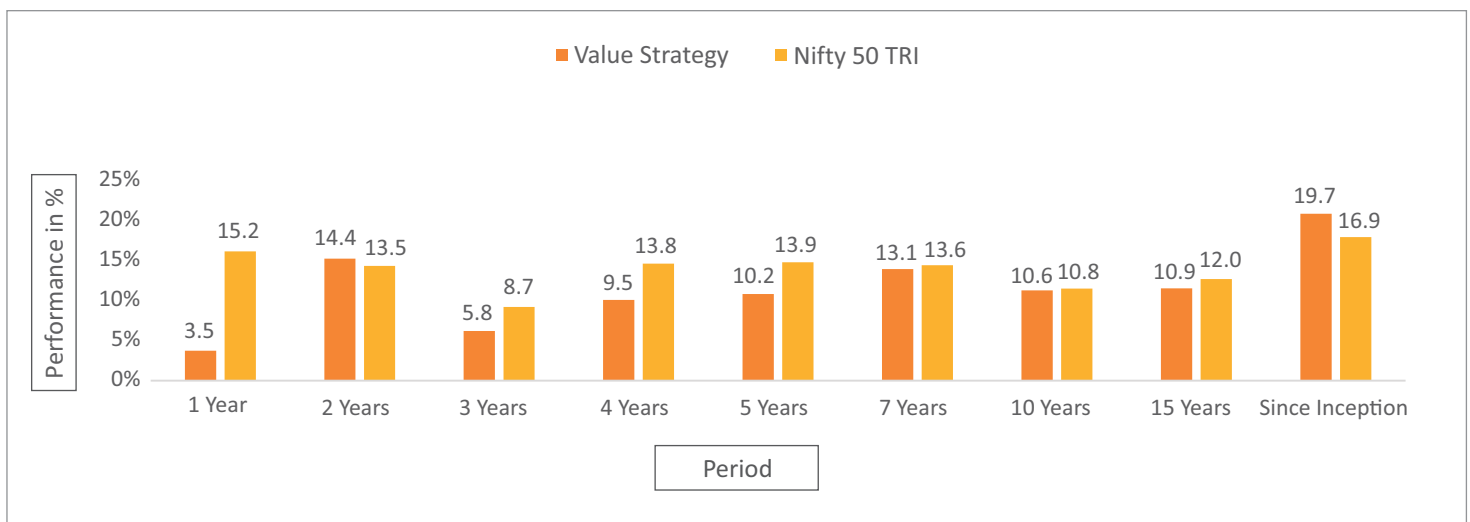
Data as on 31<sup>st</sup> January 2021

\*Above 5% & Cash

## Key Portfolio Analysis

Performance Data (Since Inception)	Value	Nifty 50
Standard Deviation (%)	21.5%	21.4%
Beta	0.9	1.0

Data as on 31<sup>st</sup> January 2021



Value Strategy Inception Date: 18th Feb 2003; Data as on 31st January 2021; Data Source: MOAMC Internal Research; RFR: 7.25%; \*Earnings as of September 2020 quarter and market price as on 31st January 2021; Source: Capitaline and Internal Analysis; Please Note: Returns up to 1 year are absolute & over 1 year are Compounded Annualized. Returns calculated using Time Weighted Rate of Return (TWRR) at an aggregate strategy level. The performance related information is not verified by SEBI. All portfolio related holdings and sector data provided above is for model portfolio. Returns & Portfolio of client may vary vis-à-vis as compared to Investment Approach aggregate level returns due to various factors viz. timing of investment/ additional investment, timing of withdrawals, specific client mandates, variation of expenses charged & dividend income. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.

# Next Trillion Dollar Opportunity Strategy

## Investment Objective

The Strategy aims to deliver superior returns by investing in stocks from sectors that can benefit from the Next Trillion Dollar GDP growth. It aims to predominantly invest in Small and Mid Cap stocks\* with a focus on identifying potential winners that would participate in successive phases of GDP growth. Focus is on businesses benefitting from growth in GDP.

\*The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy

## Details

Fund Manager : Manish Sonthalia  
 Strategy Type : Open ended  
 Date of Inception : 03 rd August 2007  
 Benchmark : Nifty 500 TRI  
 Investment Horizon : 3 Years +

## Market Capitalization

Market Capitalization	% Equity
Large cap	47.0
Mid cap	49.0
Small cap	3.8

## Top 10 Holdings

Particulars	% Allocation
Voltas Ltd.	12.5
Kotak Mahindra Bank Ltd.	10.9
ICICI Bank Ltd.	6.3
L&T Technology Services Ltd.	5.9
Eicher Motors Ltd.	5.3
Max Financial Services Ltd.	5.2
Page Industries Ltd.	4.7
Ipca Laboratories Ltd.	4.2
Tech Mahindra Ltd.	4.1
Gland Pharma Ltd.	3.8

Data as on 31<sup>st</sup> January 2021

## Top Sectors

Sector Allocation	% Allocation*
Banking	20.3
Consumer Discretionary	17.1
Software	14.2
Consumer Staples	10.4
Pharmaceuticals	9.5
Auto	5.3
Non-Lending Financials	5.2
Cash & Cash Equivalents	0.1

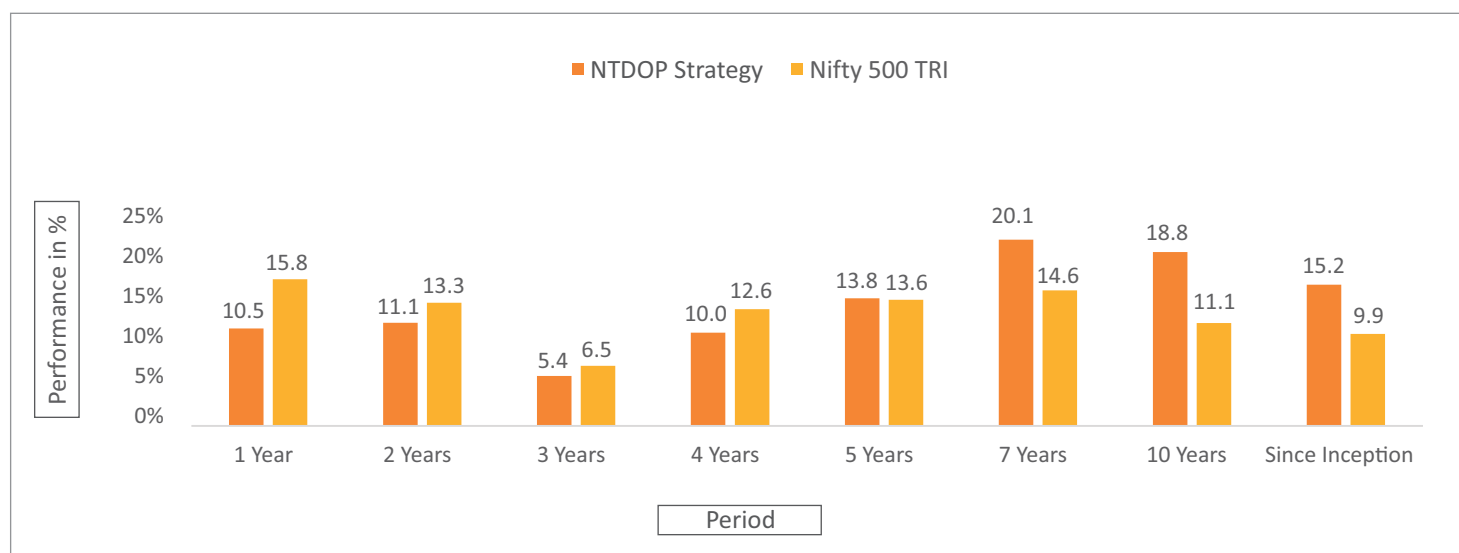
Data as on 31<sup>st</sup> January 2021

\*Above 5% & Cash

## Key Portfolio Analysis

Performance Data (Since Inception)	NTDOP	Nifty 500
Standard Deviation (%)	20.2%	20.5%
Beta	0.9	1.0

Data as on 31<sup>st</sup> January 2021



NTDOP Strategy Inception Date: 3rd Aug 2007; Data as on 31st January 2021; Data Source: MOAMC Internal Research; RFR: 7.25%; \*Earnings as of September 2020 quarter and market price as on 31st January 2021; Source: Capitaline and Internal Analysis; Please Note: Returns up to 1 year are absolute & over 1 year are Compounded Annualized. Returns calculated using Time Weighted Rate of Return (TWRR) at an aggregate strategy level. The performance related information is not verified by SEBI. All portfolio related holdings and sector data provided above is for model portfolio. Returns & Portfolio of client may vary vis-à-vis as compared to Investment Approach aggregate level returns due to various factors viz. timing of investment/ additional investment, timing of withdrawals, specific client mandates, variation of expenses charged & dividend income. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.

# India Opportunity Portfolio Strategy

## Investment Objective

The Strategy aims to generate long term capital appreciation by creating a focused portfolio of high growth stocks having the potential to grow more than the nominal GDP for next 5-7 years across market capitalization and which are available at reasonable market prices. The strategy is for investors who are keen to generate wealth by participating in India's growth story over a period of time.

The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy

## Details

Fund Manager	: Mr. Manish Sonthalia
Strategy Type	: Open ended
Date of Inception	: 15th Feb. 2010
Benchmark	: Nifty Smallcap 100 TRI
Investment Horizon	: 3 Years +

## Market Capitalization

Market Capitalization	% Equity
Large cap	29.30
Mid cap	19.31
Small cap	48.15

## Top 10 Holdings

Particulars	% Allocation
Kajaria Ceramics Ltd.	11.5
Alkem Laboratories Ltd.	8.0
ITC Ltd.	7.0
ICICI Bank Ltd.	6.4
Can Fin Homes Ltd.	6.3
Mahanagar Gas Ltd.	6.2
Birla Corporation Ltd.	5.7
ICICI Securities Ltd.	5.6
Blue Star Ltd.	5.0
TTK Prestige Ltd.	4.8

Data as on 31<sup>st</sup> January 2021

## Top Sectors

Sector Allocation	% Allocation*
Consumer Discretionary	13.1
Construction	12.9
Pharmaceuticals	12.4
Non-Lending Financials	9.4
Consumer Staples	8.2
Banking	6.4
NBFC	6.3
Oil & Gas	6.2
Cement	5.7
Cash & Cash Equivalents	3.2

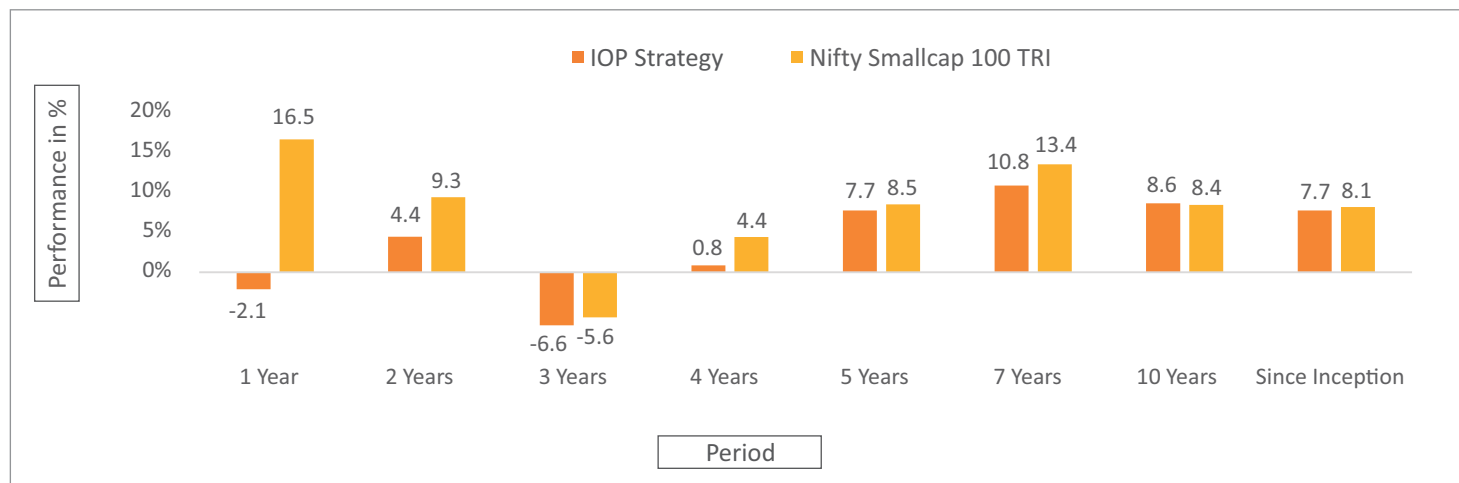
Data as on 31<sup>st</sup> January 2021

\*Above 5% & Cash

## Key Portfolio Analysis

Performance Data (Since Inception)	IOP	Nifty Smallcap 100
Standard Deviation (%)	20.9%	24.0%
Beta	0.76	1.0

Data as on 31<sup>st</sup> January 2021



IOP Strategy Inception Date: 15th Feb 2010; Data as on 31st January 2021; Data Source: MOAMC Internal Research; RFR: 7.25%; \*Earnings as of September 2020 quarter and market price as on 31st January 2021; Source: Capitaline and Internal Analysis; Please Note: Returns up to 1 year are absolute & over 1 year are Compounded Annualized. Returns calculated using Time Weighted Rate of Return (TWRR) at an aggregate strategy level. The performance related information is not verified by SEBI. All portfolio related holdings and sector data provided above is for model portfolio. Returns & Portfolio of client may vary vis-à-vis as compared to Investment Approach aggregate level returns due to various factors viz. timing of investment/ additional investment, timing of withdrawals, specific client mandates, variation of expenses charged & dividend income. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.

# India Opportunity Portfolio V2 Strategy

## Investment Objective

The Strategy aims to deliver superior returns by investing in stocks from sectors that can benefit from India's emerging businesses. It aims to predominantly invest in Small and Midcap stocks\* with a focus on identifying potential winners. Focus on Sectors and Companies which promise a higher than average growth.

\*The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy

## Details

Fund Manager	: Mr. Manish Sonthalia
Strategy Type	: Open ended
Date of Inception	: 5th Feb. 2018
Benchmark	: Nifty Smallcap 100 TRI
Investment Horizon	: 3 Years +

## Market Capitalization

Market Capitalization	% Equity
Large cap	13.10
Mid cap	33.77
Small cap	52.41

## Top 10 Holdings

Particulars	% Allocation
Larsen & Toubro Infotech Ltd.	13.1
Cholamandalam Investment and Finance Company Ltd.	9.4
Ipca Laboratories Ltd.	7.2
Kajaria Ceramics Ltd.	7.1
Central Depository Services (India) Ltd.	6.8
Bajaj Electricals Ltd.	6.2
Godrej Agrovet Ltd.	5.8
Sobha Ltd.	5.7
Century Plyboards (India) Ltd.	4.6
JK Lakshmi Cement Ltd.	4.2

Data as on 31<sup>st</sup> January 2021

## Top Sectors

Sector Allocation	% Allocation*
Consumer Discretionary	15.7
Software	14.3
Construction	12.8
NBFC	12.1
Non-Lending Financials	10.9
Consumer Staples	9.9
Pharmaceuticals	7.2
Industrial Products	5.5
Cash & Cash Equivalents	0.7

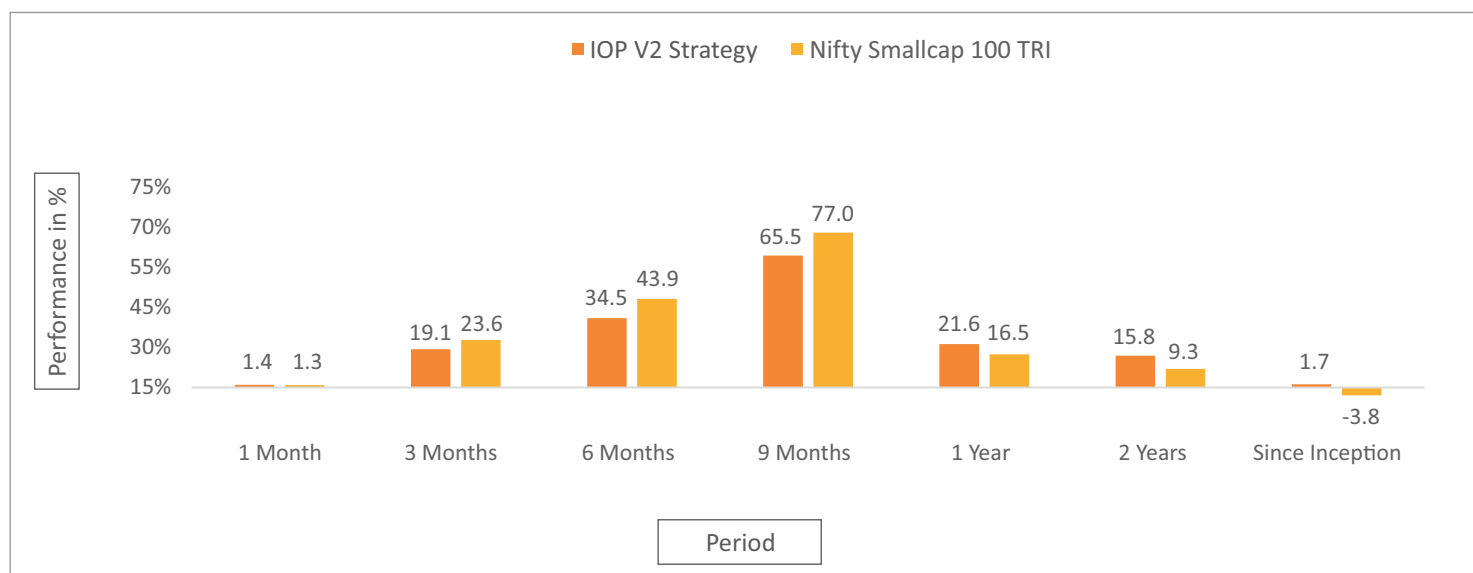
Data as on 31<sup>st</sup> January 2021

\*Above 5% & Cash

## Key Portfolio Analysis

Performance Data (Since Inception)	IOP V2	Nifty Smallcap 100
Standard Deviation (%)	29.2%	30.7%
Beta	0.88	1.0

Data as on 31<sup>st</sup> January 2021



IOP V2 Strategy Inception Date: 5th Feb 2018; Data as on 31st January 2021; Data Source: MOAMC Internal Research; RFR: 7.25%; \*Earnings as of September 2021 quarter and market price as on 31st January 2021; Source: Capitaline and Internal Analysis; Please Note: Returns up to 1 year are absolute & over 1 year are Compounded Annualized. Returns calculated using Time Weighted Rate of Return (TWRR) at an aggregate strategy level. The performance related information is not verified by SEBI. All portfolio related holdings and sector data provided above is for model portfolio. Returns & Portfolio of client may vary vis-à-vis as compared to Investment Approach aggregate level returns due to various factors viz. timing of investment/additional investment, timing of withdrawals, specific client mandates, variation of expenses charged & dividend income. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.

# Business Opportunities Strategy

## Investment Objective

The investment objective of the Strategy is to achieve long term capital appreciation by primarily investing in equity & equity related across market capitalization. It aims to predominantly invest in emerging themes with focus on themes like affordable housing, agricultural growth, GST and value migration from PSU banks to Private Sector Banks.

The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy

## Details

Fund Manager	: Mr. Manish Sonthalia
Associate Fund Manager	: Mr. Atul Mehra
Strategy Type	: Open ended
Date of Inception	: 16th Jan. 2018
Benchmark	: Nifty 500 TRI
Investment Horizon	: 3 Years +

## Market Capitalization

Market Capitalization	% Equity
Large cap	75.0
Mid cap	20.8
Small cap	3.9

## Top 10 Holdings

Particulars	% Allocation
Max Financial Services Ltd.	11.7
ICICI Bank Ltd.	11.3
Tata Consultancy Services Ltd.	11.0
HDFC Bank Ltd.	10.6
Kotak Mahindra Bank Ltd.	9.7
Larsen & Toubro Infotech Ltd.	7.5
HDFC Life Insurance Company Ltd.	7.1
Bata India Ltd.	6.3
Eicher Motors Ltd.	6.1
Hindustan Unilever Ltd.	5.2

Data as on 31<sup>st</sup> January 2021

## Top Sectors

Sector Allocation	% Allocation*
Banks	31.7
Non-Lending Financials	18.8
Software	18.5
Consumer Discretionary	12.5
Consumer Staples	9.4
Auto	6.1
Cash & Cash Equivalents	0.2

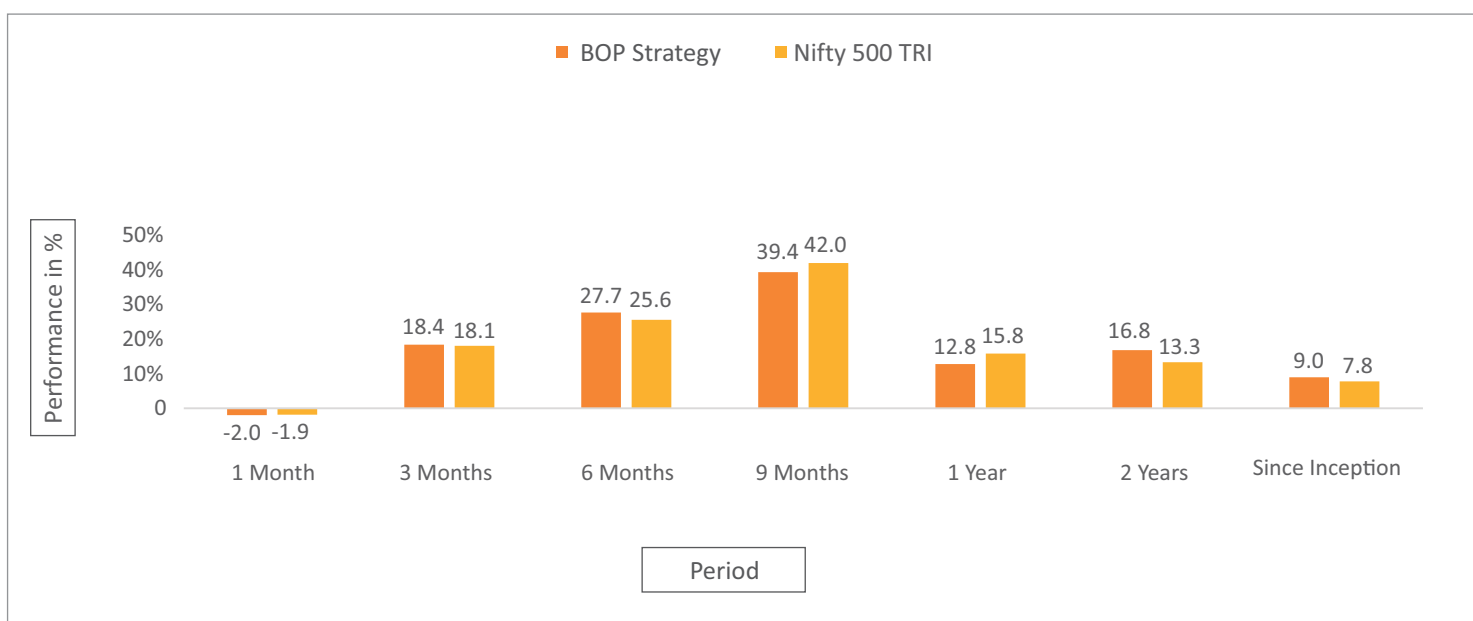
Data as on 31<sup>st</sup> January 2021

\*Above 5% & Cash

## Key Portfolio Analysis

Performance Data (Since Inception)	BOP	Nifty 500
Standard Deviation (%)	29.9%	29.8%
Beta	1.0	1.0

Data as on 31<sup>st</sup> January 2021



BOP Strategy Inception Date: 16th Jan 2018; Data as on 31st January 2021; Data Source: MOAMC Internal Research; RFR: 7.25%; \*Earnings as of September 2020 quarter and market price as on 31st January 2021; Source: Capitaline and Internal Analysis; Please Note: Returns up to 1 year are absolute & over 1 year are Compounded Annualized. Returns calculated using Time Weighted Rate of Return (TWRR) at an aggregate strategy level. The performance related information is not verified by SEBI. All portfolio related holdings and sector data provided above is for model portfolio. Returns & Portfolio of client may vary vis-à-vis as compared to Investment Approach aggregate level returns due to various factors viz. timing of investment/ additional investment, timing of withdrawals, specific client mandates, variation of expenses charged & dividend income. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.

# Stock Rationale (quarter ending 31st Dec 2020)

## Value Strategy

### Entry Rationale:

**SBI Cards and Payments:** We see this business as a transaction business and the key is to acquire customers who are transacting. Definitely credit quality is one of the key area to look at but more than that it is about customer transaction market share. It is an oligopoly business which is becoming more of duopoly, from around 13% market share in transactions SBI card is now almost 21% market share, during lockdown they gained 200bps market share and HDFC cards+ SBI cards combined is around 53% market share in spending and more than 60% of new card issuances has been done by these two companies with almost equal market share

### Exit Rationale:

**Bajaj Finserv:** Stock has performed very well – in anticipation of better asset quality performance of Bajaj Finance. The other 2 subsidiaries had already delivered stellar numbers in H1, and we believe it's unlikely to better that in H2. We felt the risk-reward had turned unfavourable – given the fluid credit environment yet. With another stock in mind (SBI card) which we believe offers far better risk-reward ratio over the next 2-3 years, we have exited the stock

## NTDOP Strategy

### Entry Rationale:

**Gland Pharma:** Unique focused B-B injectables manufacturer with strong compliance and quality track record. Possibly the only one of their size globally. Deeply moated business with rising entry barriers driven by scale and consistency. Currently undergoing high growth with an optionality of success in China.

**Tata Consultancy Services:** Benefits from large deals and consolidation in the IT services space, which as a sector emerges stronger post every downturn. Best in class management to navigate the evolving tech landscape.

**ITC Ltd :** Undue pessimism on cigarettes business prospects and ESG concerns provides an attractive entry into a high FCF and dividend paying machine with double digit growth prospects at low valuations.

**Larsen & Toubro:** A play on the cyclical recovery in the infra space driven by govt spending. L&T is the largest contractor in the country with a proven track-record. Despite having a large order book of Rs. 3trillion at the end of FY20, L&T had managed to clock a 9% CAGR in order book size since FY14 and maintained EBITDA margins of 10% in the core construction business. Further they have successfully forayed into Tech Services businesses.

### Exit Rationale:

**HUL Ltd:** Peak margins in a FMCG backdrop with the best growth phase behind. Trading at rich valuations.

**Reliance :** Quarterly results clearly showed huge divergence between expectations vs delivery in the telecom business questioning our longer term thesis.

## IOP Strategy

### Entry Rationale:

**Max Financials :** Life insurance is a unique structural growth story In India with a long growth runway. Max is the 4th largest private insurer in such a space with best in class operating metrics (20%+VNB Margins, 20%RoEVS) and growth track record (20%+ EV compounding) despite being the only non-bank promoted player.

**Cipla :** Cipla is integrating its India prescription, Trade generics and Consumer health businesses under the 'One India' initiative. Apart from expected improvement in revenue growth, the initiative is expected to result in a) margin benefits (through synergies in distribution and consumer-focused marketing initiatives) and b) consumer stickiness with the brand. We expect significant improvement in EBITDA margin primarily driven by a) operating leverage as topline grows in India and US businesses b) benefits of cost rationalization (including lower R&D expenses)

**Gland Pharma:** Unique focused B-B injectables manufacturer with strong compliance and quality track record. Possibly the only one of their size globally. Deeply moated business with rising entry barriers driven by scale and consistency. Currently undergoing high growth with an optionality of success in China.

**Emami :** Worst is behind on all aspects contributing to underperformance in last 4-5yrs, namely a) Promoter pledge shooting up b) Wholesale and rural led underperformance c) Excessive pricing of products d) Margin compression with low sales growth. On the contrary the rural and wholesale dependence will now contribute to growth.

**Engineers India:** Although we have exited the stock from the NTDOP portfolio because of its very small weight, we are bullish on the company because of its robust fundamentals and added in our IOP Smallcap strategy. EIL is a market leader in the Hydrocarbon segment, through which it provides consultancy and turnkey solutions. OMCs' strong cash flow position post the diesel price deregulation, the necessity to upgrade to BS6-compliant facilities, and the need to build additional capacities (given 100% utilization at existing facilities) augur well for the company

# Stock Rationale (quarter ending 31st Dec 2020)

## Exit Rationale:

**Reliance:** Reliance being the cash proxy in the IOP smallcap strategy we have exited the stock post the quarterly results. Quarterly results clearly showed huge divergence between expectations vs delivery in the telecom business questioning our longer term thesis

**Dr. Lal pathlabs:** Stock has run up a lot in last 1 year due to Covid testing related benefits and now trades at 50x FY22 earnings. Covid testing benefits are non recurring in nature and are a 2 year boost at max. Given that Covid testing will significantly reduce in FY23 and in FY22 could have pricing pressure as well driven by government regulations, the earnings trajectory could normalise to 10-15% yoy growth faster than anticipated. The company is very richly valued making the risk reward highly unfavourable.

**Sun pharmaceuticals:** Our view on pharmaceutical industry stay intact. But with better prospective stocks (Gland Pharma and Cipla) to replace Sun Pharma, we have exited the stock from the IOP Strategy

## ■ IOP V2 Strategy

### Entry Rationale:

**Kajaria Ceramics:** Kajaria is the largest domestic tile manufacturing company that has consistently gained share from the organized tile manufacturers in India over the last decade. The organized players in turn form a smaller part of the overall tile sales in the country due to the presence of a sizeable unorganized market. A superior brand, distribution network and a net cash balance sheet has consistently aided Kajaria's growth and will continue to do so in the future.

### Exit Rationale:

**Reliance:** Reliance being the cash proxy in the IOP smallcap strategy we have exited the stock post the quarterly results. Quarterly results clearly showed huge divergence between expectations vs delivery in the telecom business questioning our longer term thesis

## ■ BOP Strategy

### Entry Rationale:

**Britannia:** Rationale being, we saw business peaking out in terms of top line, margins, valuations and additionally we see corporate governance concerns resurfacing, with ICDs to group companies having gone up during the quarter. Additionally, balance sheet is now indebted on a gross basis, and lot of cash has been drained out in terms of dividends and bonus debentures.



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