



July 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**

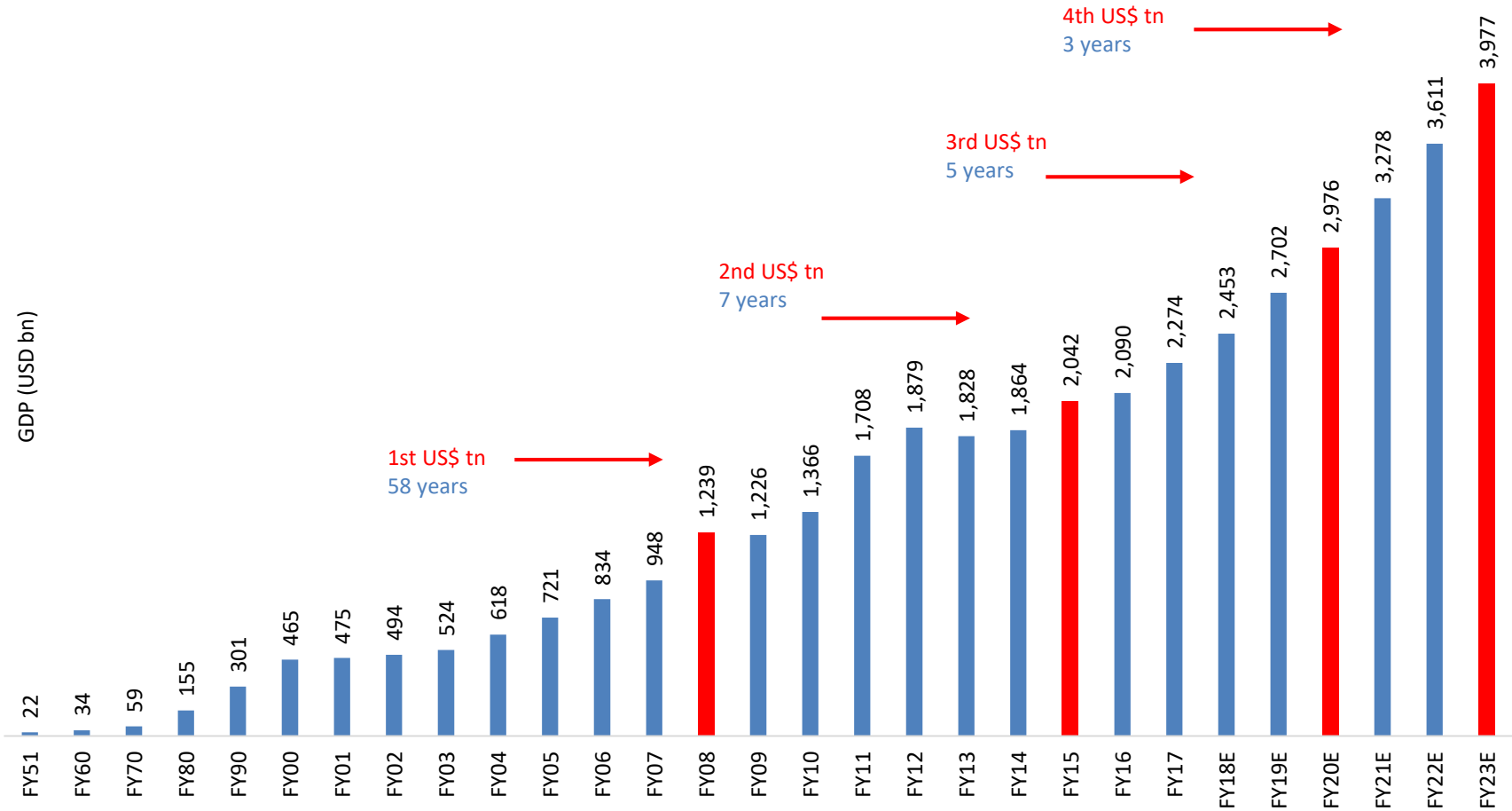
**Affordable Housing**

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

**GST Beneficiary**

**Business migration from  
Unorganized to  
Organized**

# Rise in GDP - Creates Disposable Income

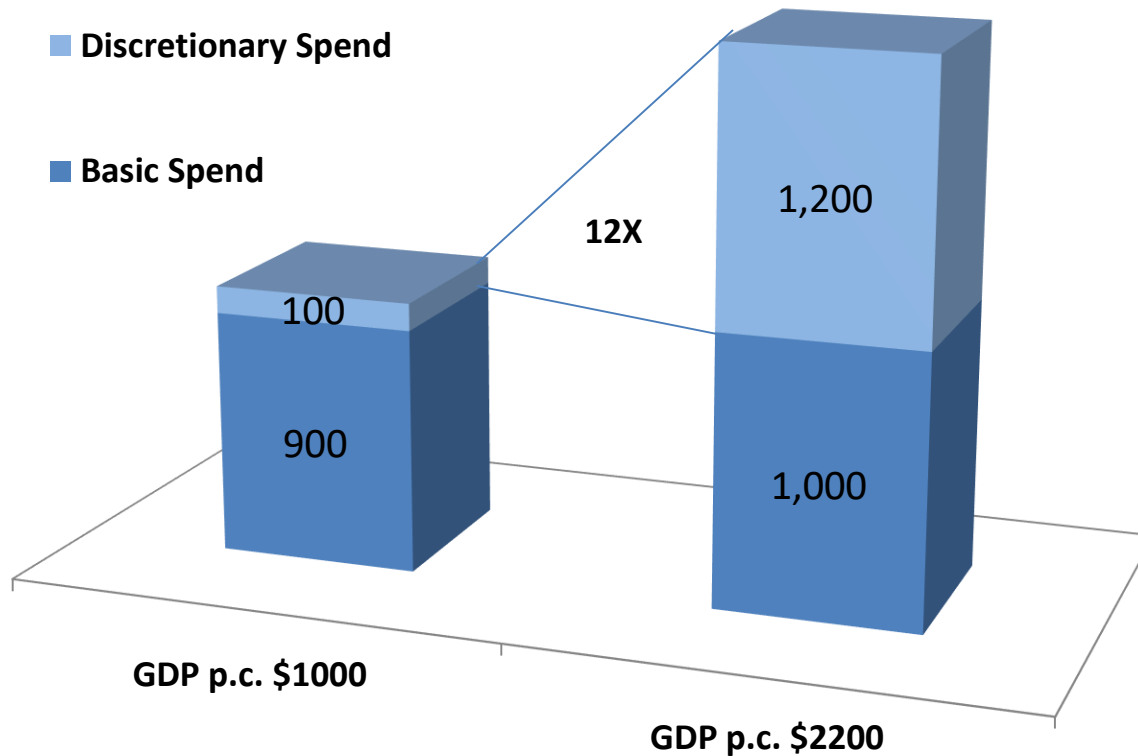


Source: statisticstimes.com

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

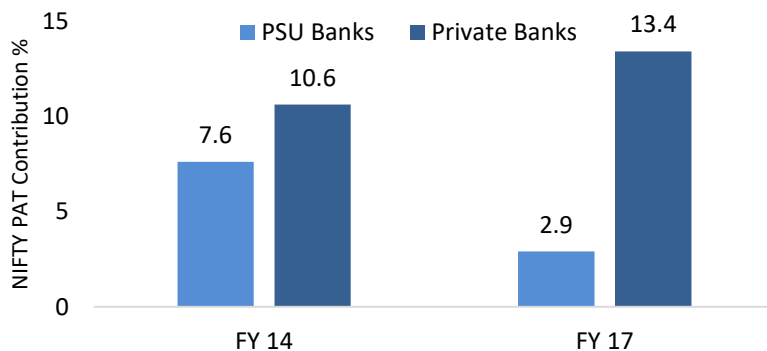


# Value Migration in Banking

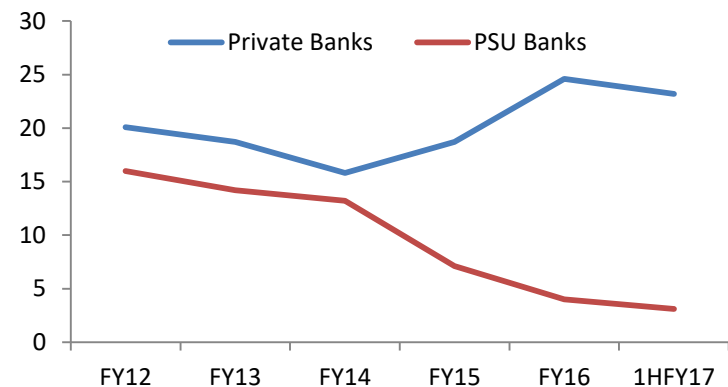
**At present, PSU banks have ~70% market share Vs 30% with private banks**

- 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



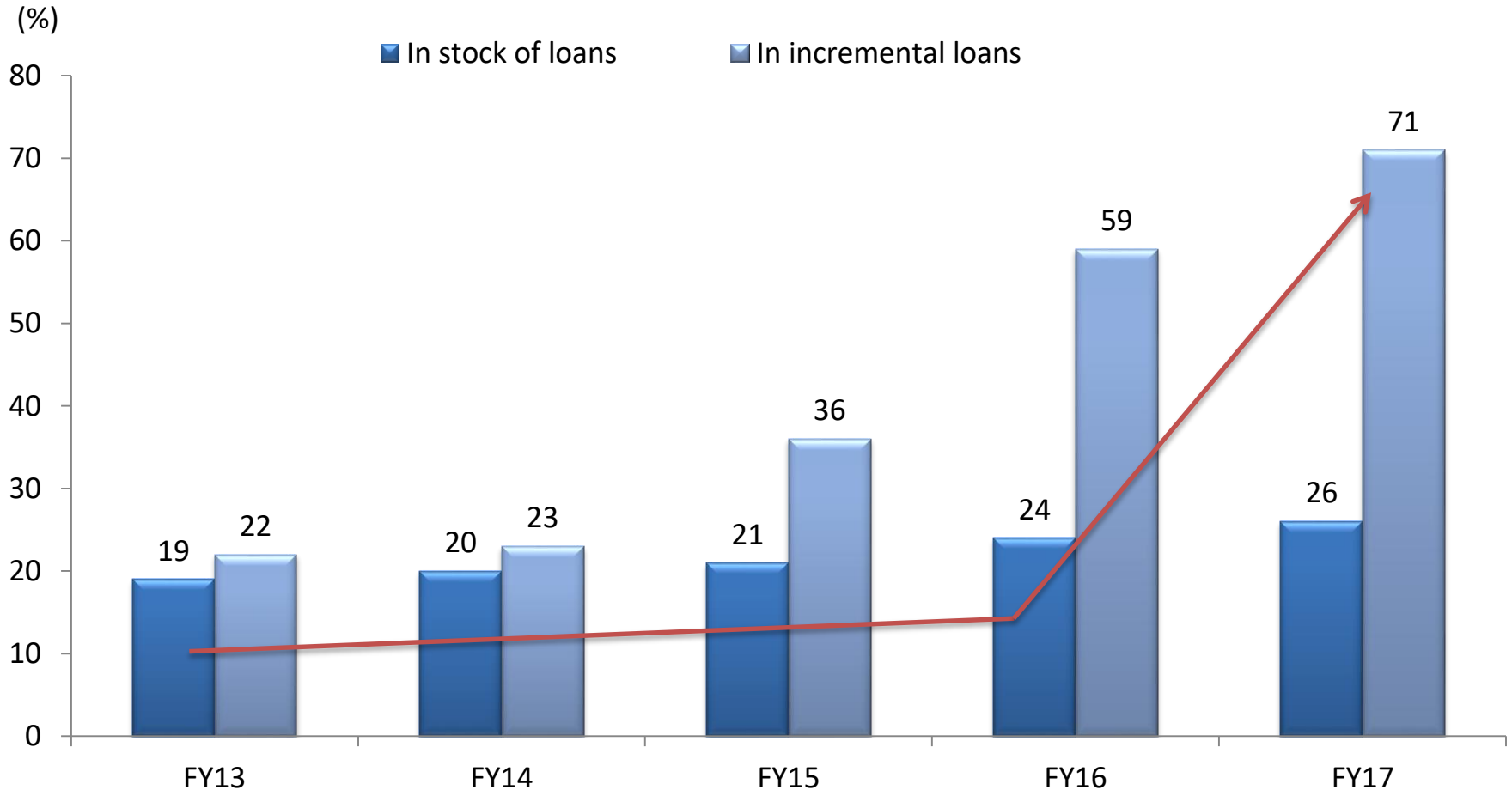
Source: MOSL

# Source: [www.ibef.org](http://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

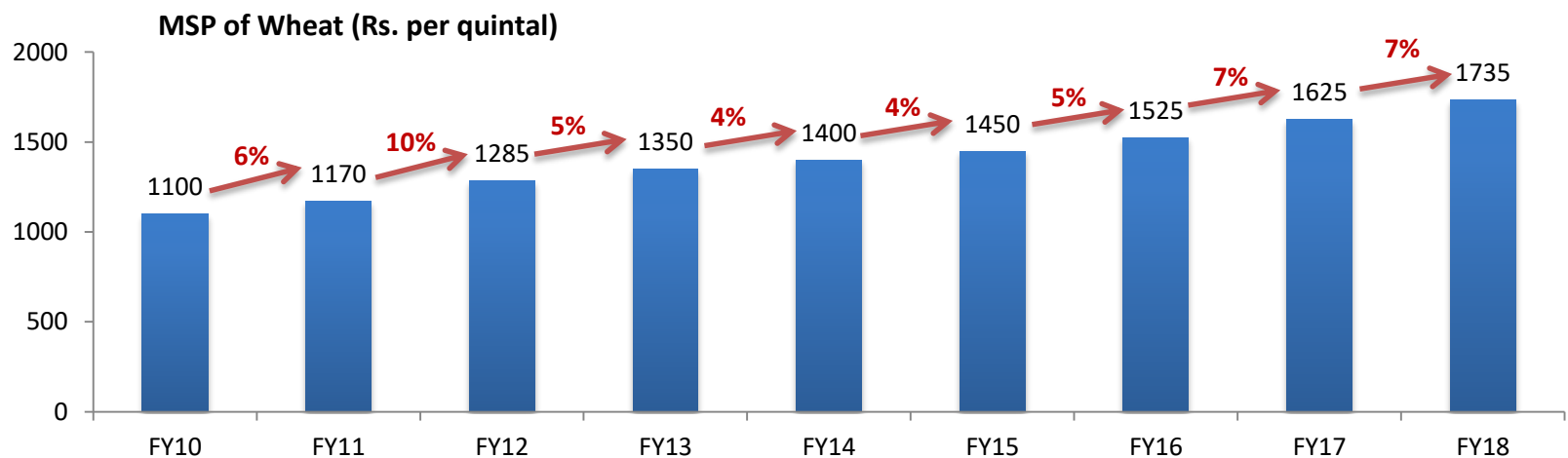
For limited private circulation only

# 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

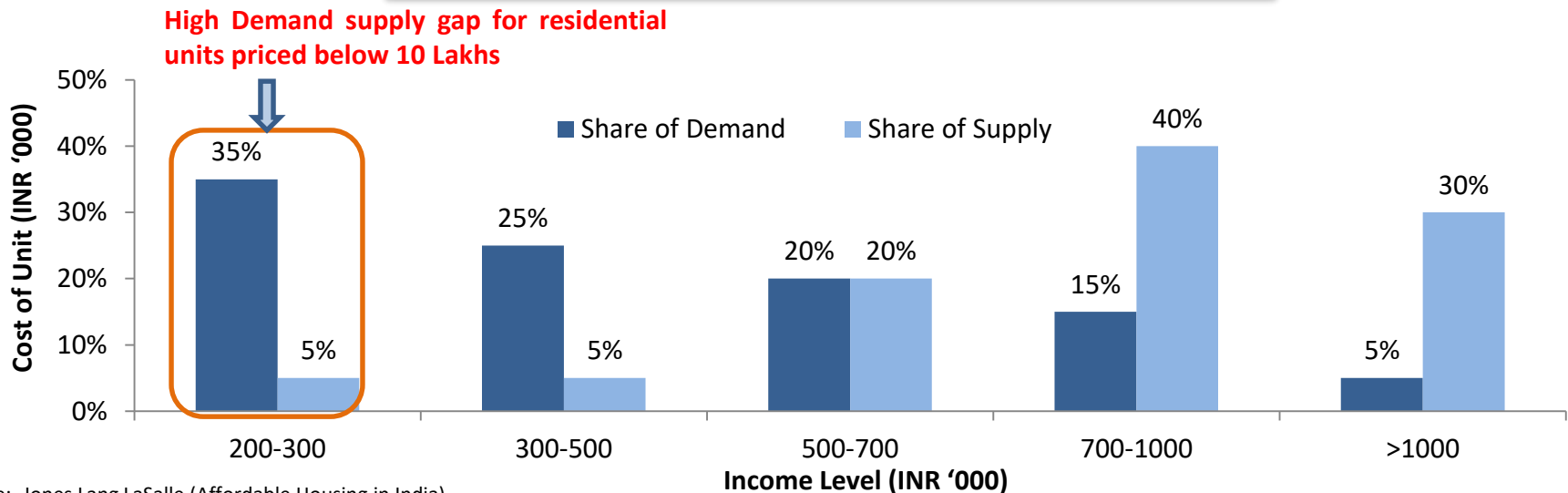




## Economic growth, urbanization and rapid change in socio-economic profile will drive demand

- 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

For limited private circulation only

# 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% <sup>1</sup>	9%	1%	8%	5%	8%	8%
FY17-24 Expected growth	12%	8% <sup>1</sup>	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

For limited private circulation only

# 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

For limited private circulation only

\*Source:- [www.federalreserve.gov.in](http://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

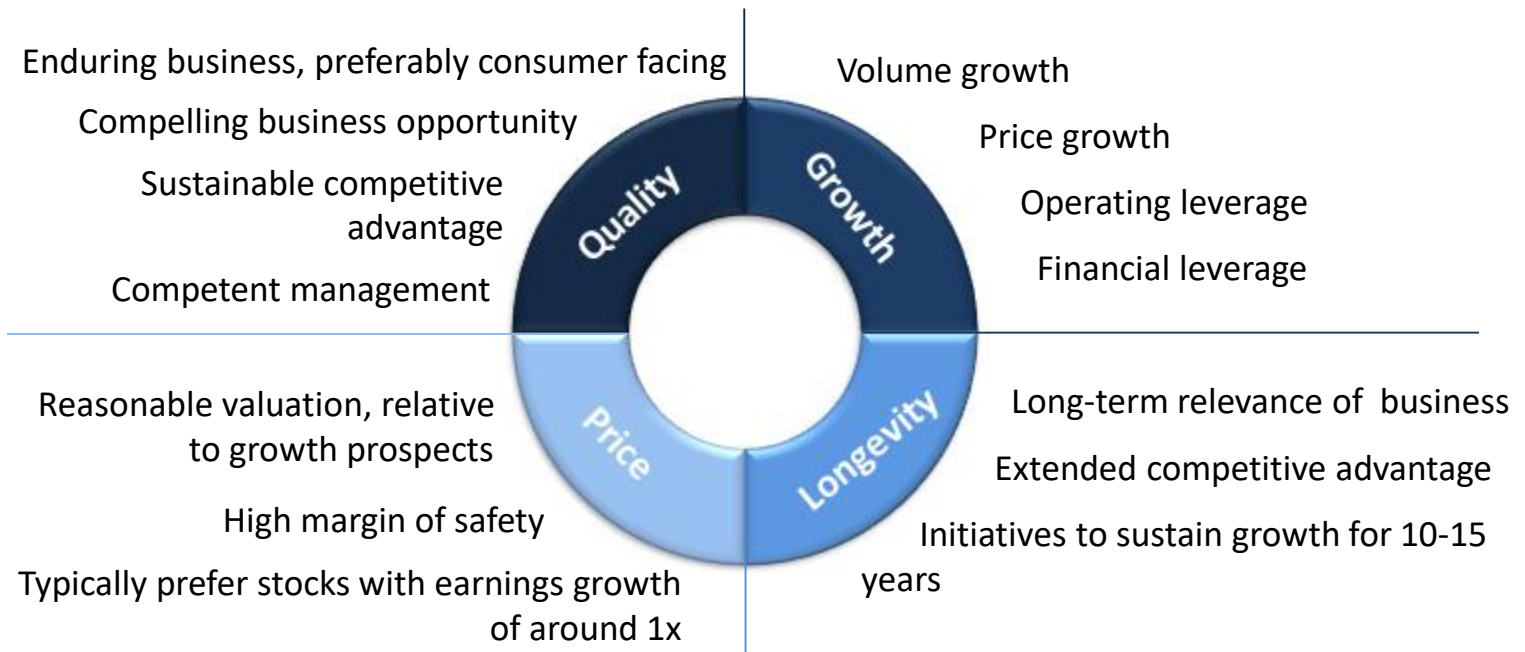
- ❖ **'Q'uality** denotes quality of the business and management
- ❖ **'G'rowth** denotes growth in earnings and sustained RoE
- ❖ **'L'ongevity** denotes longevity of the competitive advantage or economic moat of the business
- ❖ **'P'rice** denotes our approach of buying a good business for a fair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

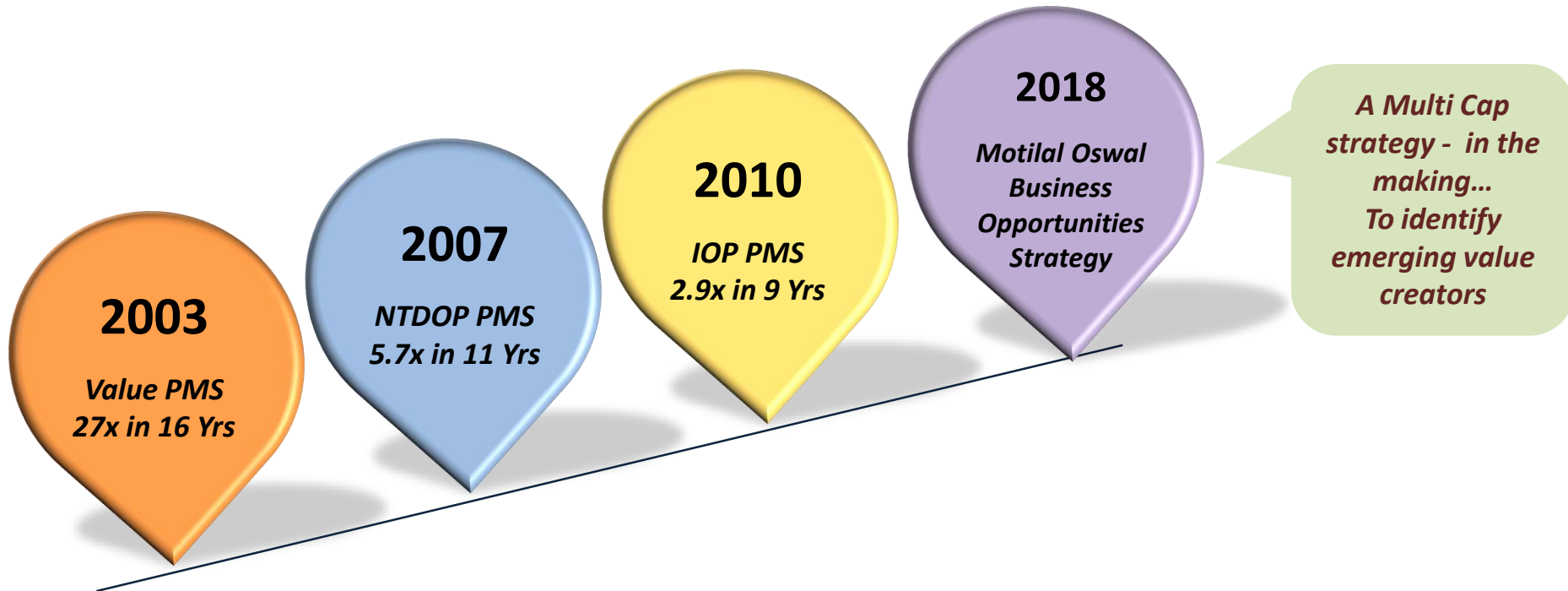
**QGLP – The investment philosophy has been framed out of 21 years of annual wealth creation studies authored by our co-founder, Raamdeo Agrawal**

## 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 ~198k Crs

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

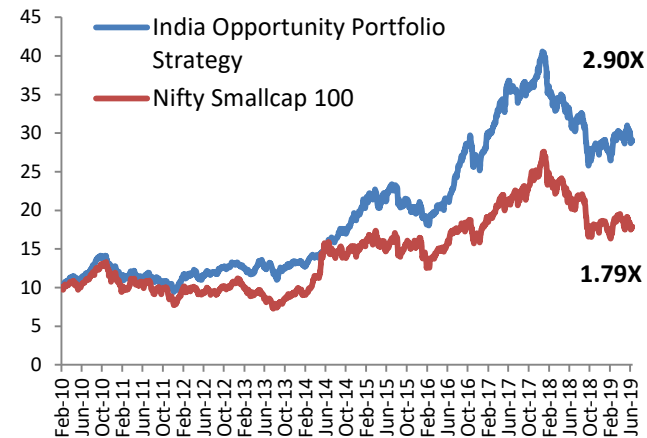
IOP's is a newly created small and mid cap portfolio following the footsteps of NTDOP

Data as on 30<sup>th</sup> June 2019 ; The performance shown above is of Absolute Return a model client, performance of an individual client may be different , depending on the time of investment in the strategy. Past performance may or may not be sustained in future

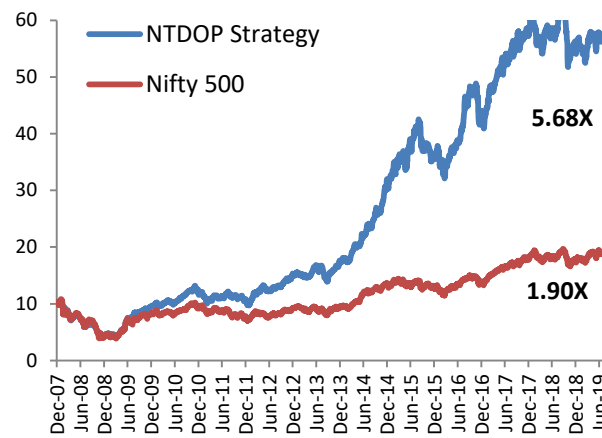
For limited private circulation only



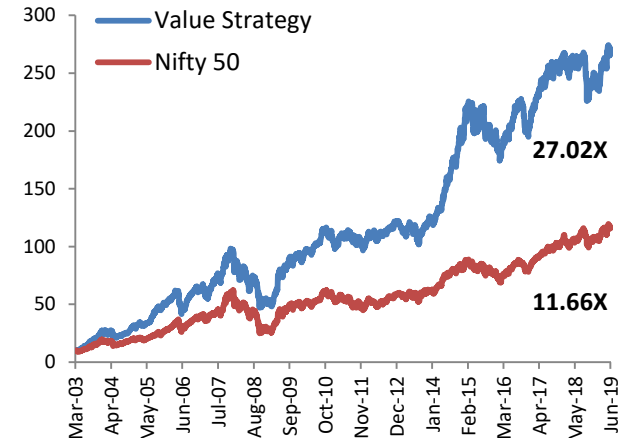
# MOAMC – PMS Track Record



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 30<sup>th</sup> June 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 %)
<b>IOP PMS</b>					
DCB Bank	August 2016	110	237	116%	30%
Mahanagar Gas	August 2016	511	850	66%	19%
Aegis Logistics	August 2016	123	200	62%	18%
<b>NTDOP PMS</b>					
Page Industries	December 2007	456	20582	4410%	39%
Bajaj Finance	August 2010	63	3681	5786%	58%
Eicher Motors	August 2010	1,174	19139	1531%	37%
<b>Value PMS</b>					
Hero MotoCorp	June 2003	254	2582	918%	16%
HDFC Bank	July 2008	201	2444	1116%	25%
Eicher Motors	April 2012	2,055	19139	831%	36%

\* As on 30<sup>th</sup> June 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

For limited private circulation only

# Disclaimer

Disclaimer: This presentation has been prepared and issued on the basis of internal data, publicly available information and other sources believed to be reliable. The information contained in this document is for general purposes only and not a complete disclosure of every material fact and terms and conditions. The information / data herein alone is not sufficient and shouldn't be used for the development or implementation of an investment strategy. It should not be construed as investment advice to any party. All opinions, figures, charts/graphs, estimates and data included in this presentation are as on date and are subject to change without notice. While utmost care has been exercised while preparing this document, Motilal Oswal Asset Management Company Limited does not warrant the completeness or accuracy of the information and disclaims all liabilities, losses and damages arising out of the use of this information. The statements contained 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. Readers shall be fully responsible /liable for any decision taken on the basis of this presentation. No part of this document may be duplicated in whole or in part in any form and/or redistributed without prior written consent of the Motilal Oswal Asset Management Company Limited. Readers should before investing in the Strategy make their own investigation and seek appropriate professional advice. Investments in Securities are subject to market and other risks and there is no assurance or guarantee that the objectives of any of the strategies of the Portfolio Management Services will be achieved. Clients under Portfolio Management Services are not being offered any guaranteed/assured returns. Past performance of the Portfolio Manager does not indicate the future performance of any of the strategies. The name of the Strategies do not in any manner indicate their prospects or return. The strategy may not be suited to all categories of investors. The material is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. Neither Motilal Oswal Asset Management Company Ltd. (MOAMC), nor any person connected with it, accepts any liability arising from the use of this material. The recipient of this material should rely on their investigations and take their own professional advice. Opinions, if any, expressed are our opinions as of the date of appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. The Portfolio Manager is not responsible for any loss or shortfall resulting from the operation of the strategy. Recipient shall understand that the aforementioned statements cannot disclose all the risks and characteristics. The recipient is requested to take into consideration all the risk factors including their financial condition, suitability to risk return, etc. and take professional advice before investing. As with any investment in securities, the Value of the portfolio under management may go up or down depending on the various factors and forces affecting the capital market. Disclosure Document shall be obtained and read carefully before executing the PMS agreement. Prospective investors and others are cautioned that any forward - looking statements are not predictions and may be subject to change without notice. For tax consequences, each investor is advised to consult his / her own professional tax advisor. This document is not for public distribution and has been furnished solely for information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions. No part of this material may be duplicated in any form and/or redistributed without 'MOAMCs prior written consent. Distribution Restrictions – This material should not be circulated in countries where restrictions exist on soliciting business from potential clients residing in such countries. Recipients of this material should inform themselves about and observe any such restrictions. Recipients shall be solely liable for any liability incurred by them in this regard and will indemnify MOAMC for any liability it may incur in this respect.