

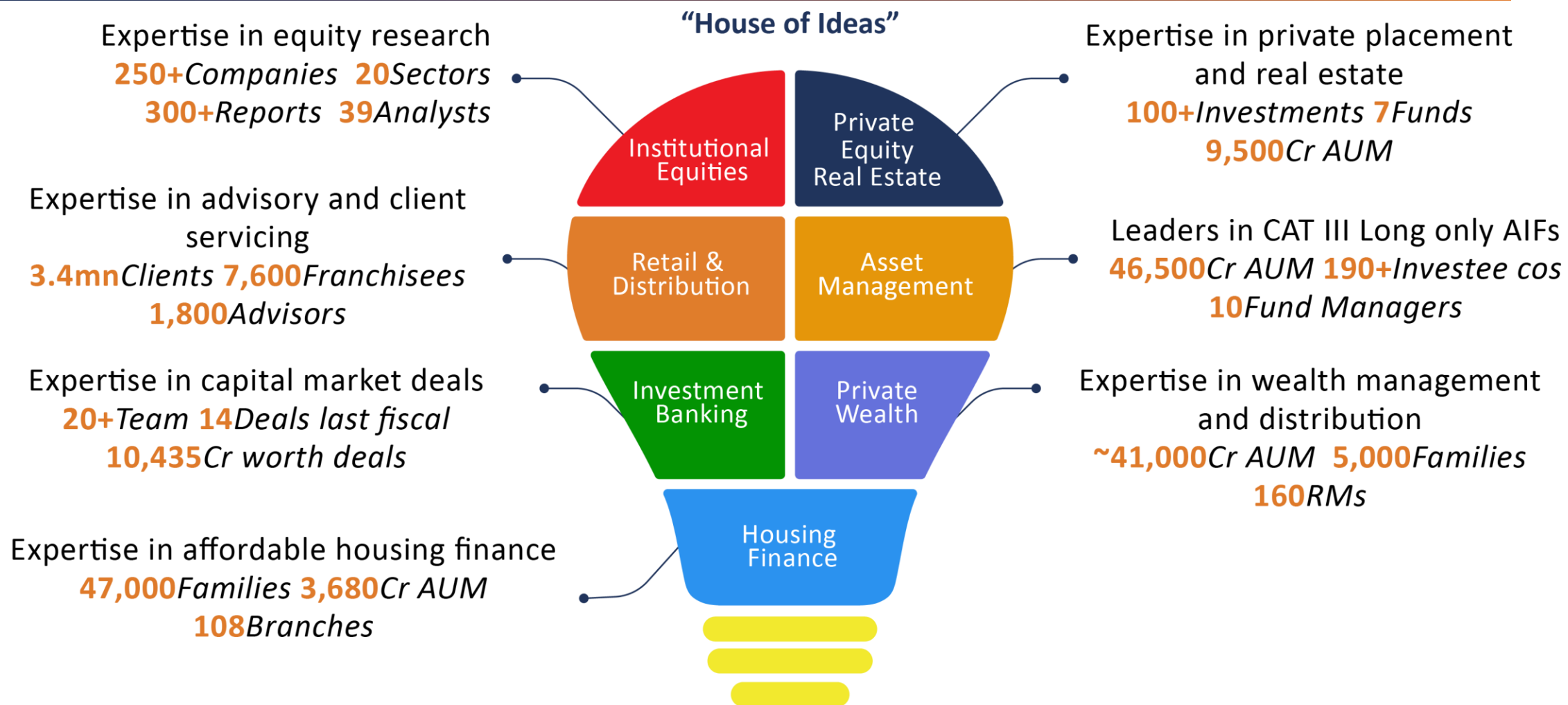


# THOUGHT LEADERS IN EQUITY

Focused, Process Driven, Ideas Powerhouse

**THINK EQUITY. THINK MOTILAL OSWAL.**

# Veritable Ecosystem in Financial Services



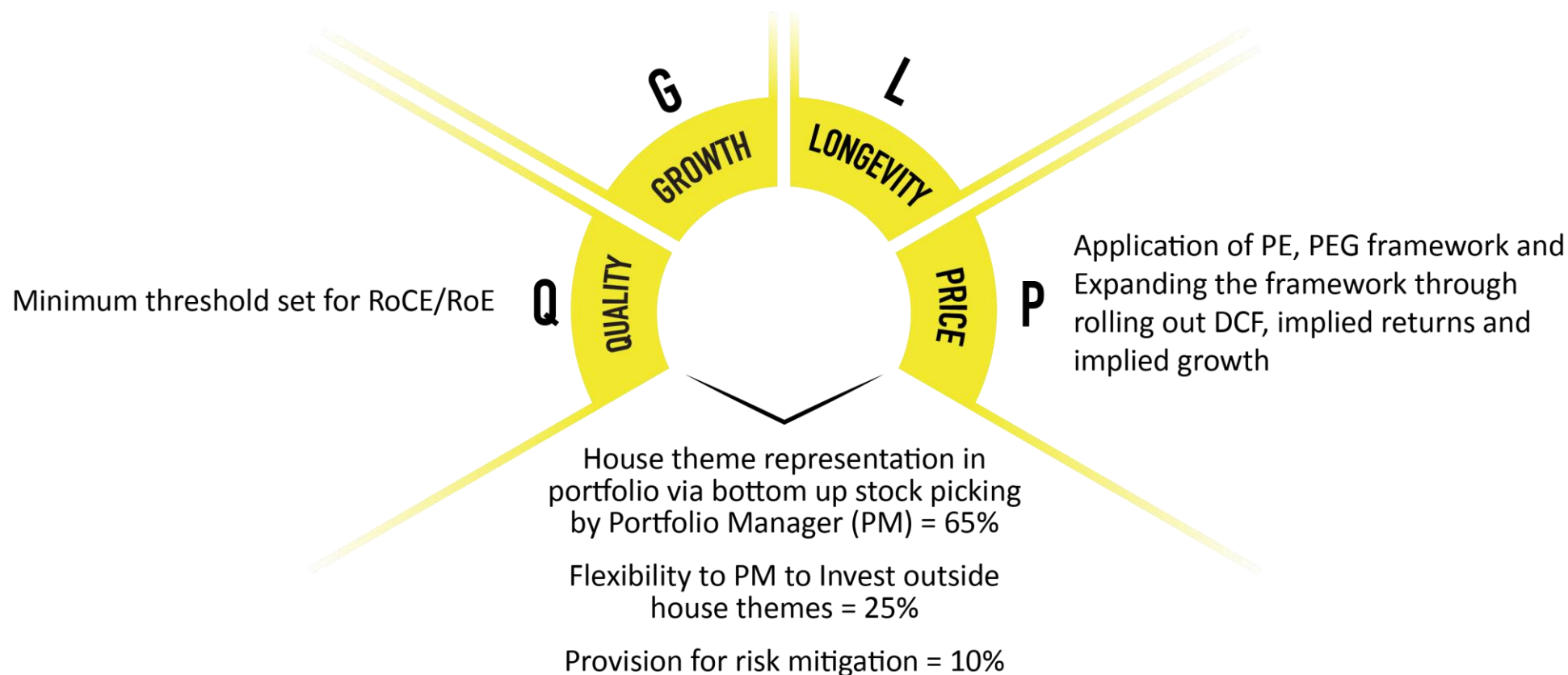
**We have established experience in arguably most segments under financial services**

Source: MOAMC Internal, Data as on 31st December 2022.

**THINK EQUITY. THINK MOTILAL OSWAL.**

# Disciplined Investing following “Q-G-L-P” Investment Process

Ensuring Longevity of Growth by investing in sustainable themes identified by the Investment team collectively



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# Risk Management Framework for Consistency & Sustainability of Performance



## Stock Weightage & Stock Sizing

Minimum and maximum exposure limits set



## Sector Sizing

Limits on sector deviations relative to benchmark



## Diversification Strategy

Portfolio size capped up to 35 stocks



## Profit Taking / Stop Loss Framework

Proprietary framework for measuring triggers

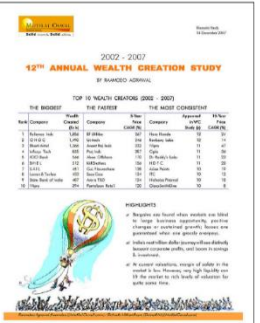


## Stringent Liquidity Framework

Ensuring efficient management for ability to take necessary action

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25+ Years of Thought Leadership – Wealth Creation Studies



Skin in the Game



What is at stake?  
~4,000+ Cr

Source: MOAMC Internal, Data as on 31st December 2022.

# Motilal Oswal Focused Midcap Strategy

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A Midcap Oriented PMS

June 2023

# Today's Midcaps and Small caps are Large caps of the future

Mini, Mid, Mega crossovers – FY2000-05, 2005-10, 2010-15, 2016-21

Note: Figures in brackets indicate number of companies

2000-05: Median return CAGR Market return : 5%					2005-10: Median return CAGR Market return : 22%				
TO	Mega	158% (1)	55% (17)	21% (59)	TO	Mega	76% (2)	46% (9)	27% (66)
	Mid	57% (58)	21% (90)	-4% (59)		Mid	61% (25)	24% (89)	9% (32)
	Mini	19% (1,039)	-3% (93)	-40% (13)		Mini	11% (1,465)	4% (102)	-32% (3)
		Mini	Mid	Mega			Mini	Mid	Mega
		FROM					FROM		
Total Stocks		1,098	200	100	Total Stocks		1,492	200	100

2010-15: Median return CAGR Market return : 10%					2016-21: Median return CAGR Market return : 14%				
TO	Mega	68% (3)	33% (24)	11% (71)	TO	Mega	- (-)	38% (13)	12% (74)
	Mid	38% (64)	9% (88)	-13% (26)		Mid	46% (32)	15% (101)	-1% (26)
	Mini	0% (1,841)	-19% (88)	-32% (3)		Mini	-2% (2,598)	-8% (86)	- (-)
		Mini	Mid	Mega			Mini	Mid	Mega
		FROM					FROM		
Total Stocks		1,908	200	100	Total Stocks		2,630	200	100

- **Maximum wealth is created when a small cap company becomes mid/ large cap and a mid cap company becomes a large cap**
- **Probability that a midcap will remain or become large cap in 5 years is as high as ~50%**
- **In any 5 year cycle when this plays out, there are 2-3 terrible years and 2-3 great years.**
- **2000-2003 were very bad followed by 2004-05, 2005-07 were great followed by 2008-09, 2010-13 were terrible followed by 2014-15**
- **One must look to understand and improve probabilities of success as a stock picker by applying appropriate quality (Q), growth (G) and longevity (L) filters**

Disclaimer: 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. The above information should not be used for development or implementation of an investment strategy. It should not be construed as investment advice to any party.

Source: Motilal Oswal Wealth Creation Studies. Past performance may or may not be sustained in future.

# Movement across ranks with better strike rate is seen among Midcaps

## Strike rate of over 6% within a focused universe

### Rank Crossovers - Mar-2016 to Mar-2021

Category returns; No. of companies in brackets

Market Return during the period

14%

TO	Mega	- (0)	38% (13)	12% (74)
	Mid	46% (32)	15% (101)	-1% (26)
	Mini	2% (2,598)	-8% (86)	- (0)

Mini

Mid  
FROM

Mega

Total stocks

2,630

200

100

- Only 32 of 2,630 moved from Mini to Mid
- This translates to a strike rate of < 2%
- Downside risk high

- 13 of 200 stocks moved from Mid To Mega
- This translates to a strike rate of 6.5%
- Downside risk low
- Avoiding mistakes is possible and that itself can be very rewarding

# Midcaps offer a large opportunity for Alpha generation

- Wide dispersion of returns in both mid as well as small caps provides scope for bottom-up stock picking
- It is observed that the most Multibaggers were seen in the Midcap and Small cap space rather than Large caps due to dispersion

Returns range of Top 500 Companies by Market Cap (as on 31 <sup>st</sup> March 2020)			
Absolute Returns Range	Top 100	101-250	251-500
>10x	1	8	8
5x-10x	8	17	13
3x-5x	15	22	21
2x-3x	18	28	32
2x	11	20	34
Between 0 and 50%	18	16	45
Between 0 and -20%	13	9	19
Between -20% and -50%	11	19	42
Less than -50%	5	11	36

- Mid Cap Index space on a whole is dispersed with 95 stocks returns >100% and 11 stocks are <-50% and return distribution is across all the categories
- High dispersed portfolio returns are dominated by particular stock/sector
- Simple being present or absent in a few names - out of the highly dispersed stocks results in significant outperformance/underperformance of the portfolio

Source : Capitaline. Data as on 31<sup>st</sup> March 2020.

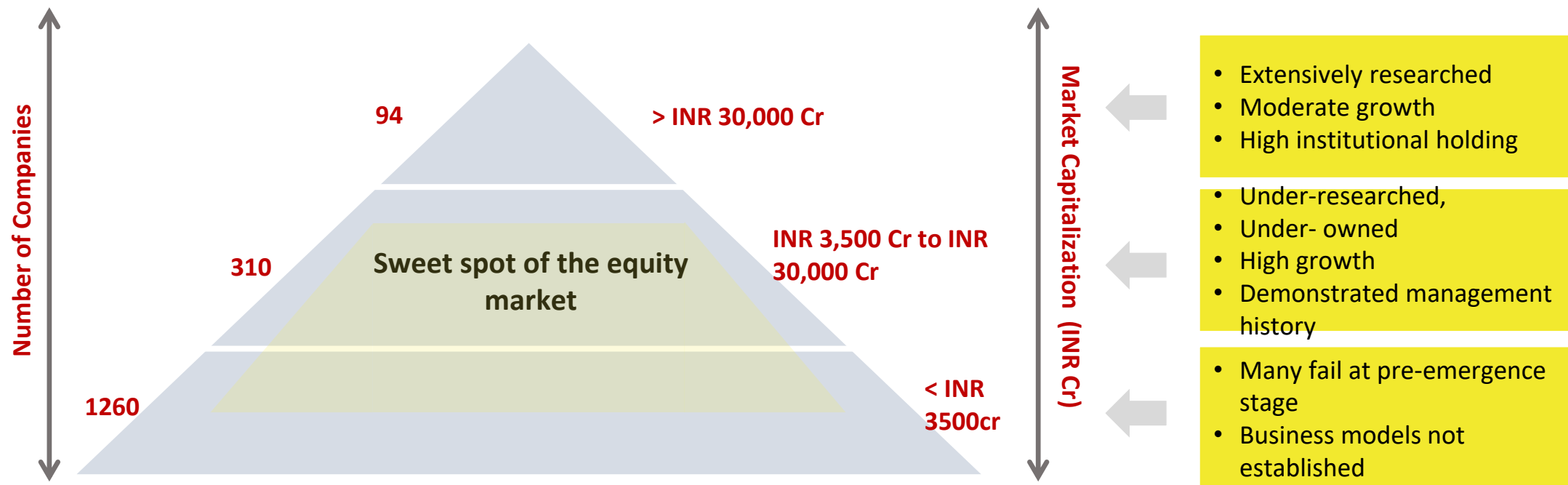
Absolute Returns from 31<sup>st</sup> March 2014 to 31<sup>st</sup> March 2020 considered for top 500 companies by market capitalization (as on 31<sup>st</sup> March 2020)

Disclaimer: Past performance may not be sustained in the future. Historical performance indications and financial market scenarios are not reliable indicators of current or future performance.

## Why now? – Entering the sweet spot of the market

We believe that INR 3,500 Cr – INR 30,000 Cr market cap is the sweet spot for Indian equities

They can provide excellent balance between strong growth and a demonstrated history of management success



Source: NSEIndia, data as on December 31, 2020

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# Strategy has a stellar track record of identifying Multi-baggers

Multibaggers	Initial Buy	Portfolio Status	Multiple
PERSISTENT SYSTEMS LTD	Jun-20	Part of the Portfolio	9.1x
MASTEK LTD	Jun-20	Part of the Portfolio	6.7x
APL APOLLO TUBES LTD	Feb-20	Part of the Portfolio	6.5x
DIXON TECH	Jun-20	Exited (May-22)	3.5x
TATA CONSUMER PRODUCTS	May-20	Part of the Portfolio	2.4x

3 companies  
have  
multiplied  
wealth over ~5  
times within a  
time frame of  
2.5 years

Data as on 30<sup>th</sup> June'23

Disclaimer: Investors are requested to note that as a manager to the products of various business segments offered by Motilal Oswal Asset Management Company (MOAMC) or its associates has financial interest in the stocks mentioned herein. MOAMC or its associates did not receive any compensation from or other benefits from the subject company/ies whose stocks are mentioned herein or from a third party in connection with the same

# Why FMS: The Winning construct



Primary Investment universe – 101-400 stock as per market capitalisation with ~13% weight in Large Caps to be measured by weighted average market cap at the portfolio level



Maintaining Positions in companies with relatively less/low leverage



Growth outlook of **30%** at portfolio level during FY23-25 with Portfolio level ROE of **17%** FY25E



**Reversion to mean** – Invest in companies where valuations have corrected in last 2 years while they have retained their earnings profile



**Identifying Winners** – Identifying winner category stocks and Multibaggers across the broader markets




**Sector agnostic** – little or no allocations to Commodities and global cyclicals

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# Discipline over discretion

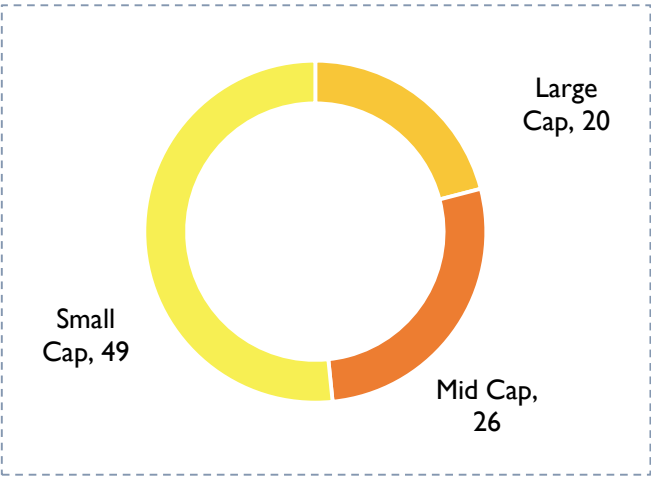
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- Allocation to be a function of convictions on companies and don't necessarily dependent on price
  - Maintain active targets of profits and prices on stocks with 1, 2 and 3 years view
  - Mismatch of price and timelines should lead to action on folio on both sides i.e. selling and buying
  - Regular trimming of positions if price targets run ahead of time lines
  - Regular addition in positions if profits are inline/ahead of times and stock prices not responding.

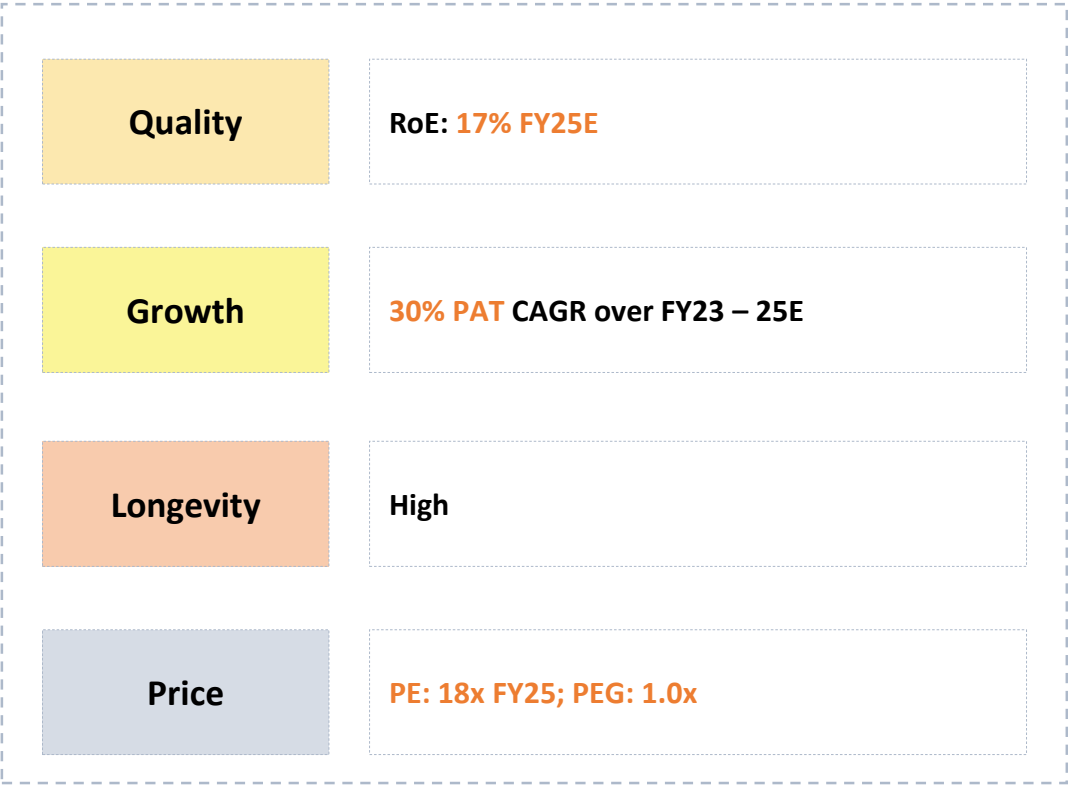
Disclaimer: Past performance may not be sustained in the future. Historical performance indications and financial market scenarios are not reliable indicators of current or future performance.

# High concentration – high conviction – 26 stock portfolio

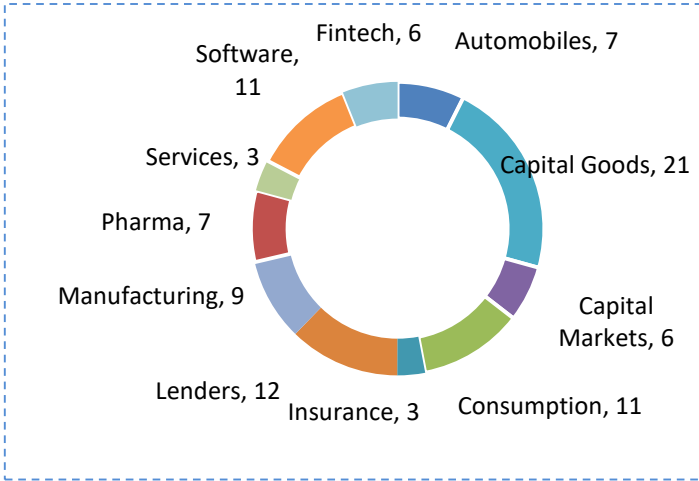
Market Cap Mix\*



QGLP exemplified

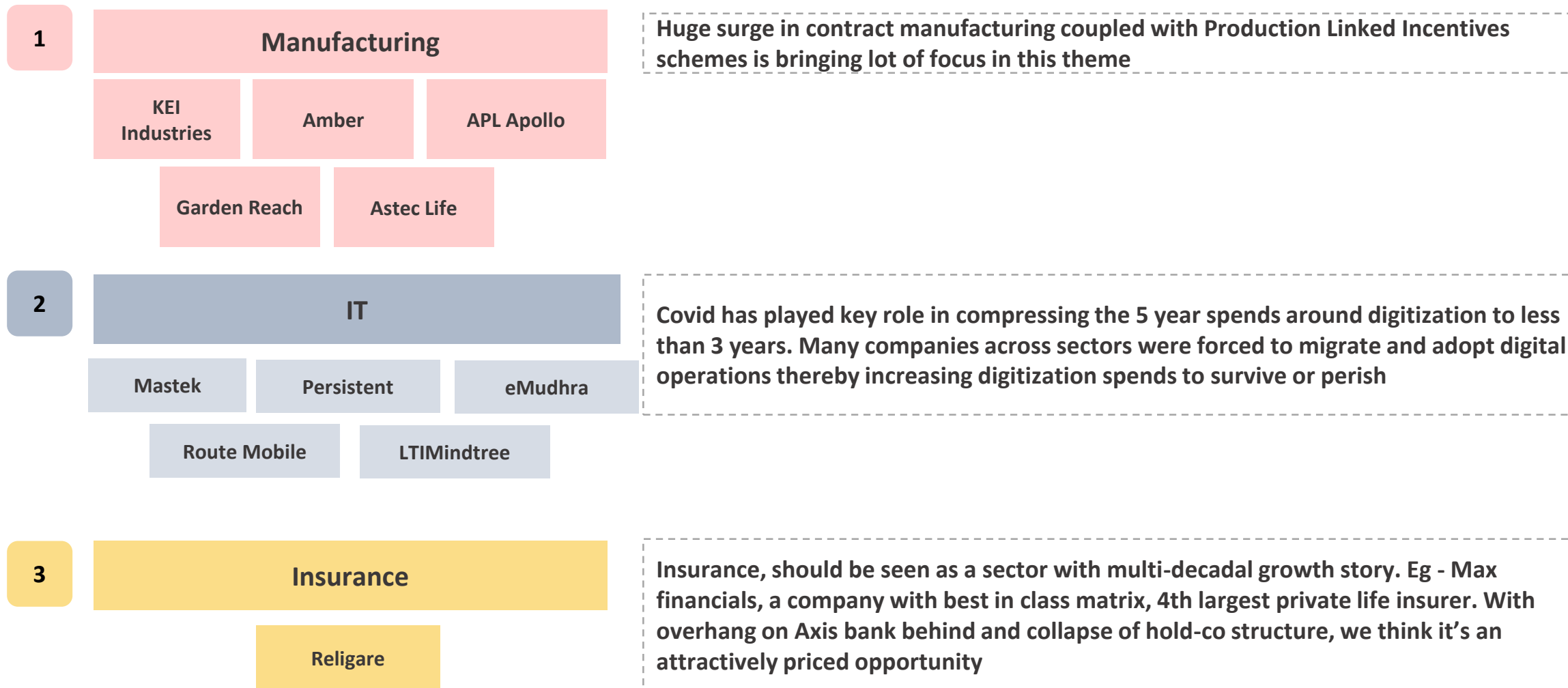


Sector Mix



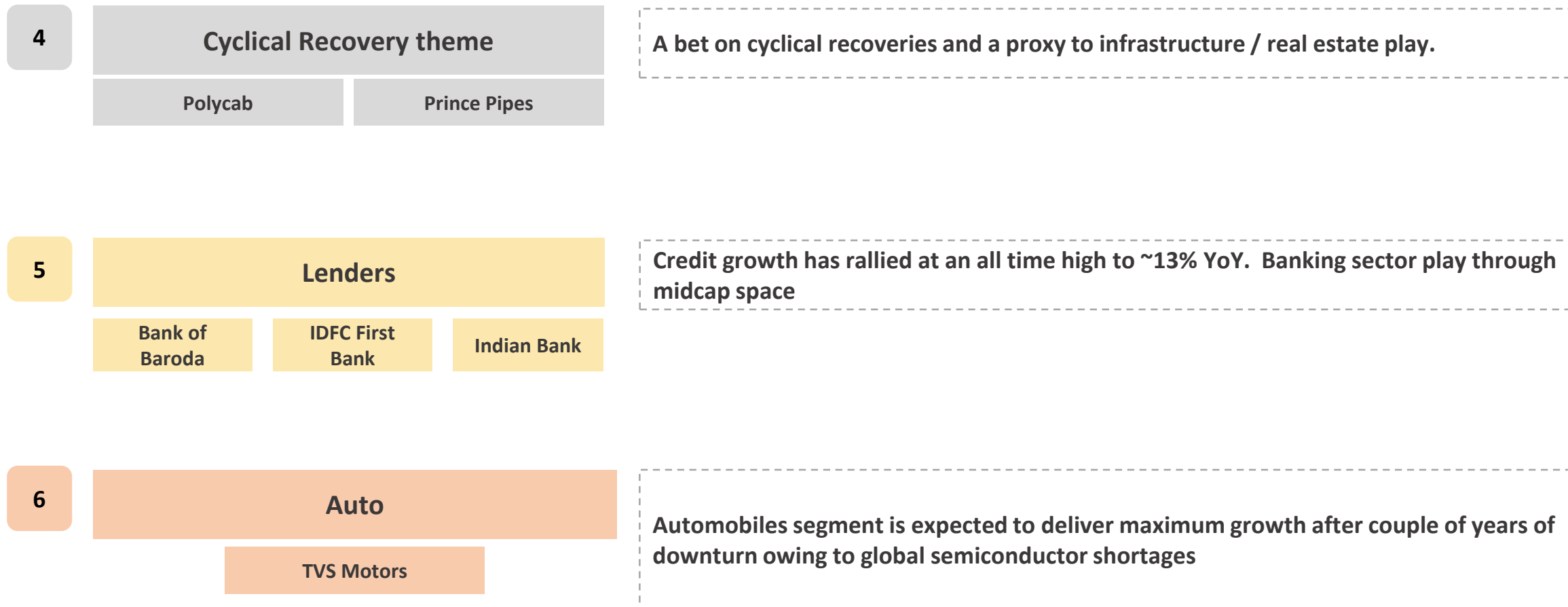
\* of AUM  
Data as on 30<sup>th</sup> June 2023, Disclaimer: The Stocks mentioned above are used to explain the concept and is for illustration purpose only and should not be used for development or implementation of any investment strategy. It should not be construed as investment advice to any party. The stocks may or may not be part of our portfolio/strategy/ schemes. Past performance may or may not be sustained in future

# Portfolio Positioning



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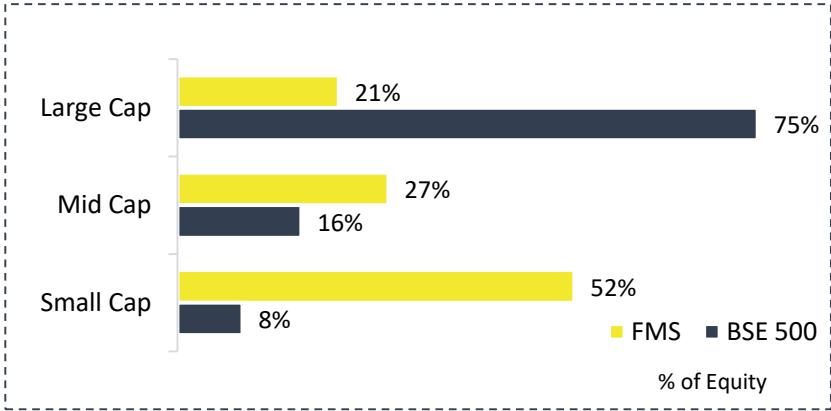
# Portfolio Positioning



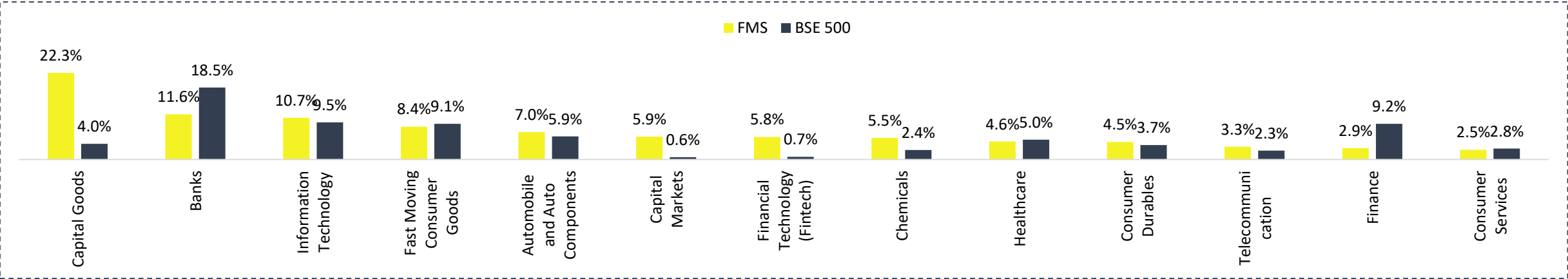
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# Motilal Oswal FMS Strategy

Top 10 Holdings	Weight (%)
Tvs Motor	7.0
IDFC FIRST BANK	6.8
ANGEL ONE	5.9
ONE 97 COMMUNICATIONS	5.8
TATA CONSUMER PRODUCTS	4.9
Global Health	4.6
AMBER ENTERPRISES INDIA	4.5
APL APOLLO TUBES	4.3
PERSISTENT SYSTEMS	3.7
GLOBUS SPIRITS	3.5



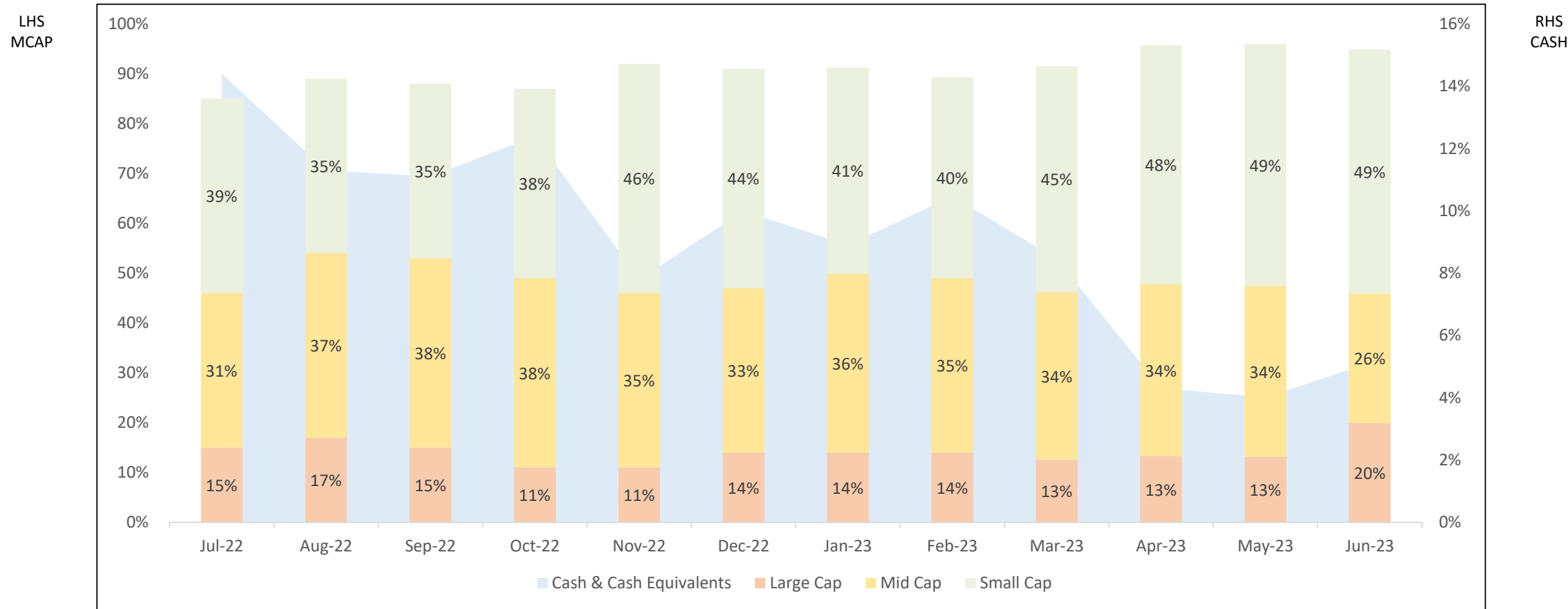
QGLP Metrics	FMS	BSE500
Q : ROE FY25E	17%	15%
G: PAT Growth FY23-25E	30%	17%
P : PEG	1.0	1.5



Data as on June 30 2023

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# Historical Market Cap Breakup with cash allocation



Data as on June 30,2023  
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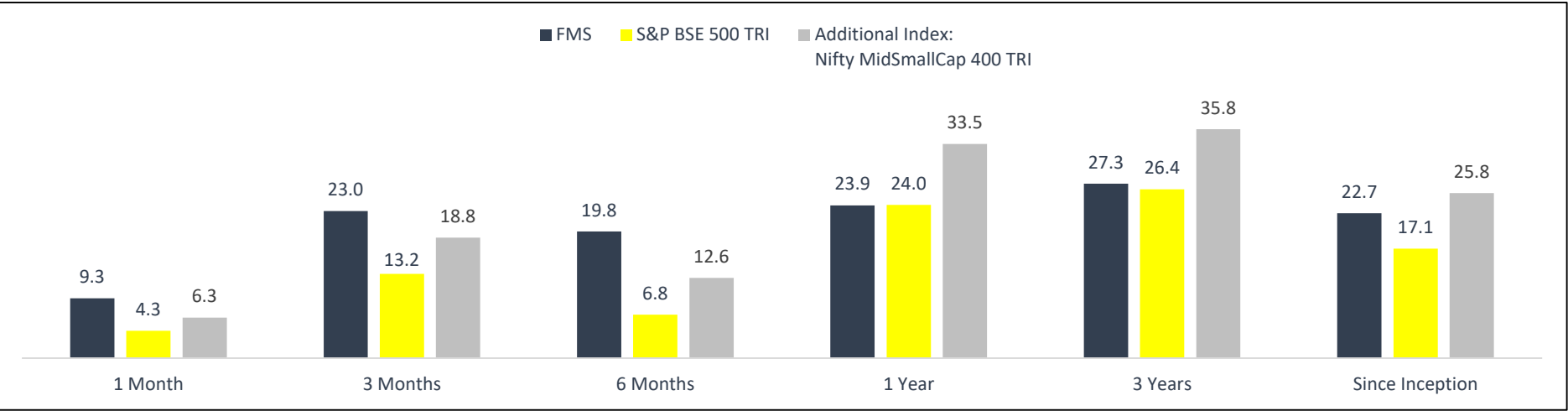
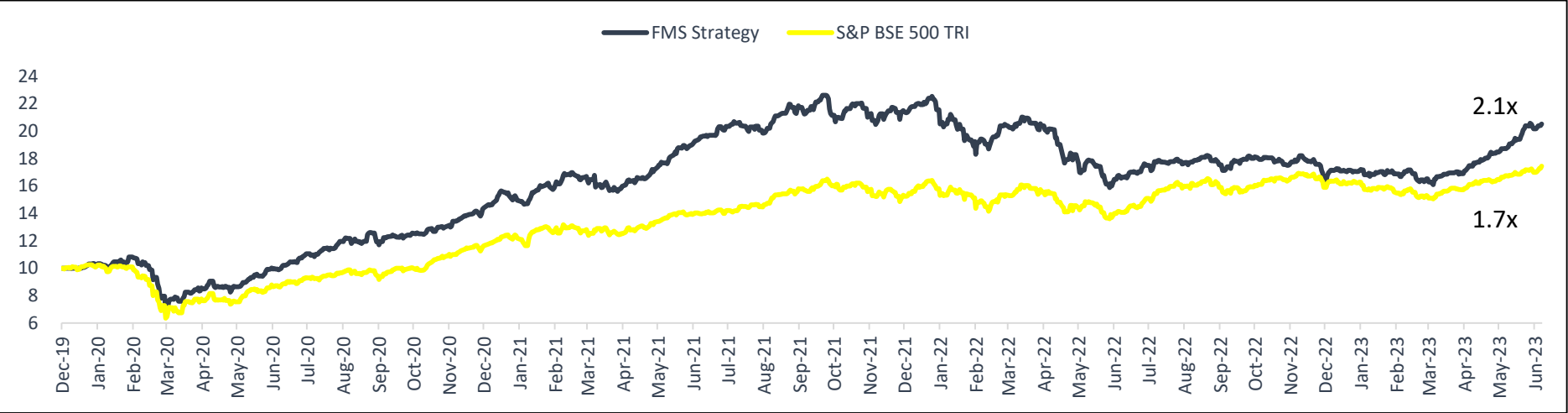
## 4QFY23 Earnings Update: 50% YoY increase in earnings growth

S.No	Script Names	4Q FY23	TTM
		EPS YoY	EPS YoY
1	TVS Motor Company	21%	76%
2	IDFC First Bank	128%	1766%
3	One97 Communications	L to L	L to L
4	Angel One	29%	41%
5	APL Apollo Tubes	12%	4%
6	Tata Consumer Products	22%	28%
7	Polycab India	142%	39%
8	Global Health	446%	62%
9	Amber Enterprises India	82%	44%
10	Persistent Systems	28%	37%
<b>Portfolio Aggregate ex Religare</b>		<b>50%</b>	<b>48%</b>

Portfolio as of 31 Mar 2023

Source: MOAMC Research, **Disclaimer:** The above table is used to explain the concept and is for illustration purpose only. The stocks may or may not be part of our portfolio/ strategy/ schemes. The data mentioned herein are for general and comparison purpose only and not a complete disclosure of every material fact and should not used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

# Portfolio Performance



One lac invested in the strategy on 24th Dec 2019 would have grown to Rs. ~2.1 lacs today against ~1.7 lacs invested in Benchmark

FMS Strategy Inception Date: 24<sup>th</sup> Dec 2019; Data as on 30<sup>th</sup> June 2023; Data Source: MOAMC Internal Research; 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



**IDENTIFYING COMPOUNDING IDEAS**

## Conversion to structural steel is a secular trend

Structural steel market in India is under-penetrated (5% of steel industry vs globally 9%). Structural steel will substitute wood, concrete and other channels in the long run owing to better aesthetics and 30% lower costs .

## Largest player, Innovator and has the deepest distribution

APL Apollo is the largest structural steel tube company in India with 50% market share. It has the highest # of SKUs in the industry (~1500) and invested in technology to improve its efficiency. It boasts of the deepest distribution network in the industry (800 distributors vs peers at 400-500)

## VAP to help drive margins; Consolidation inevitable

APL Apollo's foray into Tricoat range of products(10-11% vs 7% for APL) will help it to drive margins. Ramp up to 50% capacity utilization in 1<sup>st</sup> year of operation is a positive. Consolidation in this space is inevitable as 25% unorganized players are under pressure owing to stretched WC debt.

## Valuations reasonable to peers

Recently the stock has run up, hence APL Apollo trades at 30x TTM P/E. However this is at a 30-50% discount to other pipe and tiles players despite enjoying superior growth and structurally improving its WC days.

Source: MOAMC Research, **Disclaimer:** The above table is used to explain the concept and is for illustration purpose only. The stocks may or may not be part of our portfolio/ strategy/ schemes. The data mentioned herein are for general and comparison purpose only and not a complete disclosure of every material fact and should not used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

## ACs: Most promising consumer category for the next 1-2 decades

India sells 5m ACs annually vs 90 million in China. This despite the fact that the weather in India is warmer; affordability is catching up with enablers like financing. We see a potential J-curve in this consumer category.

## AMBER: the market leader

AMBER is the market leader with ~30% market share in ODM/OEM manufacturing of ACs and components with all leading brands as customers. Company also participates in high growth Transport AC segment with subsidiary SIDWAL, which enjoys high growth and margins..

## Export an option value

Company manufactures total 3mn units currently focused only on Indian markets. China exports like 65 mn units per year, even a small fraction of exports market currently serviced by china will create business almost of equal size currently.

## Increasing ROCE, strong growth

Amber since IPO in 2018 has multiplied profits by almost 3x and return ratios are consistently improving to around 15%. Better utilization of plants with exports and more domestic growth will push return ratios towards 18-20% in coming 2-3 years.

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## Our well documented Investment Philosophy

### Quality of business x Quality of management

- Stable business, preferably consumer facing
- Huge business opportunity
- Sustainable competitive advantage
- Competent management team
- Healthy financials & ratios

Q

G

### Growth in earnings

- Volume growth
- Price growth
- Mix change
- Operating leverage
- Financial leverage

### Longevity – of both Q & G

- Long-term relevance of business
- Extending competitive advantage period
- Sustenance of growth momentum

L

P

### Price

- Reasonable valuation, relative to quality & growth prospects
- High margin of safety

# Pioneers and Veterans of Equity Investing



**Raamdeo Agrawal**  
(Chairman, MOFSL)

- ◆ Raamdeo Agrawal is the Co-Founder of Motilal Oswal Financial Services Limited (MOFSL).
- ◆ As Chairman of Motilal Oswal Asset Management Company, he has been instrumental in evolving the investment management philosophy and framework.
- ◆ He has also authored the Art of Wealth Creation, that compiles insights from 26 years of his Annual 'Wealth Creation Studies'.
- ◆ Raamdeo Agrawal is an Associate of Institute of Chartered Accountants of India.



**Navin Agrawal**  
(MD&CEO, MOAMC)

- ◆ Mr. Navin Agarwal is the Managing Director & CEO of Motilal Oswal Asset Management Company Limited, subsidiary of MOFSL.
- ◆ He started his career as an Analyst in 1994, went on to be Head of Research and managed Portfolios till 2000.
- ◆ He joined Motilal Oswal Group in 2000 and has been instrumental in building many of the businesses of the group including Institutional Equities, Investment Banking, Home Finance among others.
- ◆ He has been a part of the Executive Board that drove business strategy and reviews for all businesses besides capital allocation of the group.



**Prateek Agrawal**  
(Executive Director, MOAMC)

- ◆ Mr. Prateek Agrawal has long distinguished experience in Asset Management Business, investment banking, advisory services and sell side research.
- ◆ Prior to joining Motilal Oswal Asset Management Company Limited, he was associated with ASK Investment Managers Private Limited as Business Head and Chief Investment Officer wherein he has provided leadership to various departments.
- ◆ In his earlier role, he worked as Head of Equity with BNP Paribas Mutual Fund & BOI AXA Mutual Fund and Head of Research in SBI Capital Market.

# Portfolio Manager

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**Rakesh Tarway**  
Fund Manager

- **Rich Experience:** He has an overall experience of 18 years in equity markets, with a focus on identifying emerging businesses in small & midcap segment.
- **Positions Held:** He has earlier worked as Head of Research at Motilal Oswal Securities and Reliance Securities.
- **Excellent Academic Background:** Rakesh has a Masters in Management Studies (MMS) degree from Jamnalal Bajaj Institute of Management Studies (JBIMS), Mumbai.
- **Funds Managed:** Rakesh has been managing a Small Cap AIF since August 2018.

# Disclaimer

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**Portfolio Manager:** Motilal Oswal Asset Management Company Ltd. (MOAMC) | **SEBI Registration No. :** INP 000000670

# THANK YOU



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