

MOTILAL OSWAL NEXT TRILLION DOLLAR OPPORTUNITY STRATEGY

September 2023
(Data as on 31st August 2023.
Inception date - 3rd August 2007)

Investment Approach

Strategy Name: 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 invest in stocks across market capitalisation with a focus on identifying potential winners that would participate in successive phases of GDP growth.

Description of types of securities: Listed Equity

Types of securities selected as part of the investment approach: Diversified: A mix of Large, Midcap and Small cap

Allocation of portfolio across types of securities: The strategy has the mandate to invest in Equity and Equity-related instruments across the entire market capitalization spectrum

Benchmark: S&P BSE 500 TRI

Indicative tenure or investment horizon: Medium to Long term

Other salient features: Focus on Sectors and Companies which promise a higher than average growth. Concentration on emerging Themes. "Buy & Hold" strategy

Key Features & Portfolio Attributes

2A multi-cap strategy focused on identifying businesses benefitting from India's growing GDP. 15+ years of track record with consistent outperformance over benchmark across market cycles (11 out of 16 calendar years). High quality concentrated portfolio of 30 stocks. Buy and Hold strategy with 8 stocks held for more than 12 years (Page Industries held since inception) resulting in wealth creation for investors.

Index agnostic: ~83% away from the benchmark BSE 500. Key sector allocation is to BFSI, Consumption and IT.

Portfolio Actions In Last 3 Months

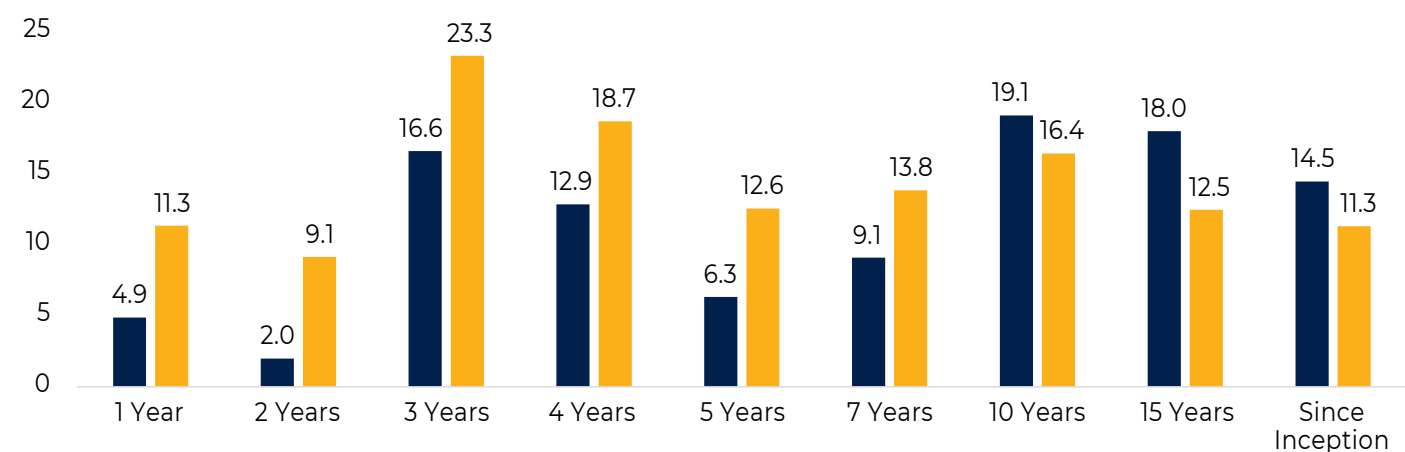
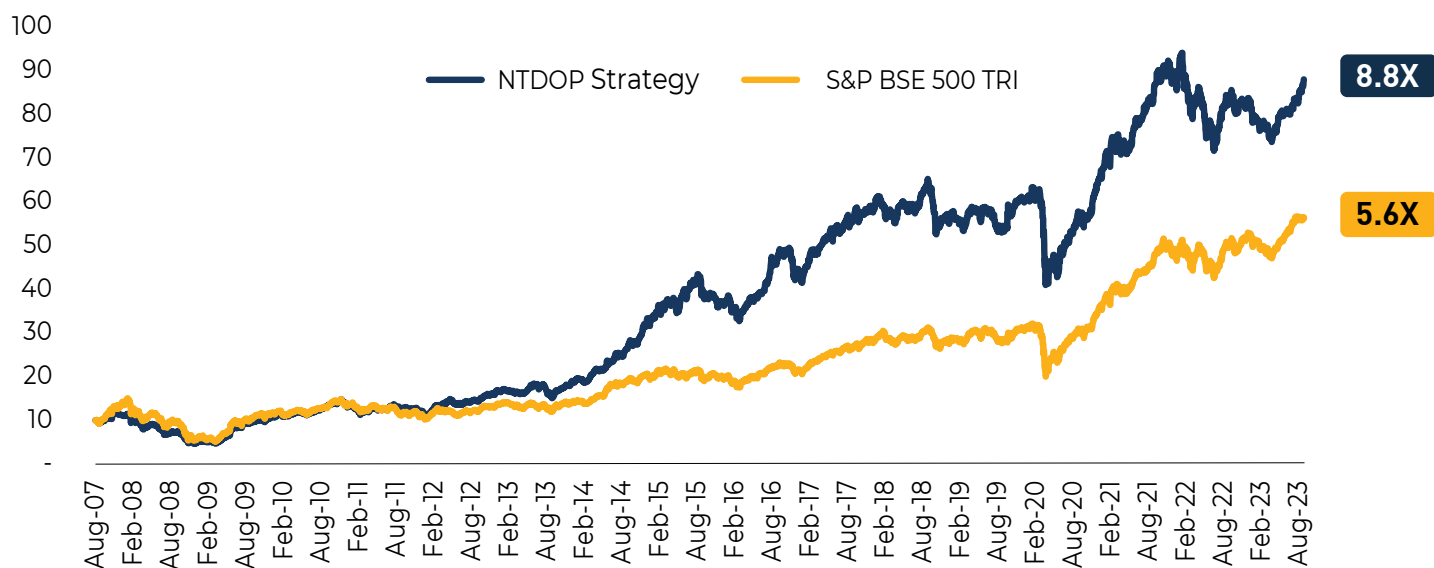
Companies Added: Angel Broking, Balkrishna Industries, Birlasoft, Cholamandalam Investment & Finance, Deepak Nitrite, Global Health, HDFC Life Insurance, IDFC First Bank, Indian Hotels, Indusind Bank, J S W Energy, Kalyan Jewellers India, Kaynes Technology India, NTPC, One 97 Communications, Piramal Enterprises, Star Health and Allied Insurance Co, Timken India

Companies Exited: Aegis Logistics, Alkem Laboratories, Bayer CropScience, Bharat Forge, Birla Corporation, Clean Science and Technology, Container Corpn. Of India, Emami, Exide Industries, Gland Pharma, Ipca Laboratories, Kotak Mahindra Bank, Larsen & Toubro Infotech, Maruti Suzuki India, Page Industries, State Bank Of India, Tata Consultancy Services, Voltas

THINK EQUITY. THINK MOTILAL OSWAL.

Performance Since Inception

One lac invested in the strategy on 3rd Aug 2007 would have grown to ~₹ 8.8 lacs today against ~₹ 5.6 lacs invested in Benchmark



Strategy Contributors (3 Year Trailing)

Top 5	Contribution
ICICI Bank Ltd.	11.8%
Voltas Ltd.	10.1%
L&T Technology Services Ltd.	10.0%
ITC Ltd.	6.4%
Kotak Mahindra Bank Ltd.	6.0%

Bottom 5	Contribution
Godrej Industries Ltd.	-1.1%
Aegis Logistics Ltd.	-1.1%
Clean Science and Technology Ltd.	-0.9%
Ipca Laboratories Ltd.	-0.6%
Reliance Industries Ltd.	-0.5%

Risk Ratios

3 Year Data	Strategy	Benchmark
Standard Deviation	14.4%	14.5%
Beta	0.9	1.0
Sharpe Ratio	0.8	1.4

Portfolio Fundamentals & Market Cap

Market Cap	Weightage
Large Cap	44%
Mid Cap	39%
Small Cap	16%
Cash & Equivalents	1%

	QGLP Metrics
Q: ROE FY25E	17%
G: PAT Growth FY23-25E	20%
P: PE FY25E	17x

Top 10 Holdings & Sectoral Allocation

Scrip Name	(%) Holding
Zomato Ltd.	6.2
Piramal Enterprises Limited	6.1
Idfc First Bank Limited	4.9
ITC Ltd.	4.5
Indusind Bank Ltd.	4.4
One 97 Communications Ltd.	4.0
Icici Bank Ltd.	3.7
Cholamandalam Investment And Finance Co. Ltd.	3.7
Eicher Motors Ltd.	3.4
Larsen & Toubro Ltd.	3.4
Max Financial Services Ltd.	3.2
L&t Technology Services Ltd.	3.2
Tech Mahindra Ltd.	3.1
Angel One Ltd.	3.1
Indian Hotels Company Ltd.	3.0
Bharat Electronics Ltd.	3.0
Global Health Ltd.	3.0
Ntpc Ltd.	2.9
Bosch Ltd.	2.9
Star Health & Allied Insurance Company Ltd.	2.9
Hdfc Life Insurance Company Ltd.	2.8
Deepak Nitrite Ltd.	2.7
Birlasoft Ltd.	2.7
Jsw Energy Ltd.	2.6
Timken India Ltd.	2.6
Religare Enterprises Ltd.	2.5
Kaynes Technology India Ltd.	2.4
Kalyan Jewellers India Ltd.	2.3
Vedant Fashions Ltd.	2.0
Balkrishna Industries Ltd.	1.8

Sector	(%) Allocation
Banks	13.0
Finance	12.3
Insurance	8.8
Retailing	8.2
IT - Software	5.9
Power	5.5
Auto Components	4.6
Diversified FMCG	4.5
Financial Technology (Fintech)	4.0
Automobiles	3.4
Construction	3.4
IT - Services	3.2
Capital Markets	3.1
Leisure Services	3.0
Aerospace & Defense	3.0
Healthcare Services	3.0
Chemicals & Petrochemicals	2.7
Industrial Products	2.6
Industrial Manufacturing	2.4
Consumer Durables	2.3
Cash and Cash Equivalents	1.2

Fund Details

Fund Manager	Vaibhav Agrawal
Strategy Type	Open ended
Date of Inception	3 rd August 2007
Benchmark	S&P BSE 500 TRI
Investment Horizon	3 Years +

- **NTDOP Strategy**

Entry Rationale:

Angel Broking Ltd.

- Angel Broking is one of the largest retail broking houses in India, in terms of active clients on the NSE
- Angel Broking depicted strong capabilities to acquire customers through various diversified digital platforms
- The company's well-executed strategy of being a digital-first organization enabled it to grow its business exponentially

Balkrishna Industries Ltd.

- BIL is aiming at ~10% market share in the global off-highway tyre market in next 4 years vs current ~6.5% (as against expected industry CAGR of ~3-4% during the same period)
- Company is focusing on rural area campaigns in targeted developed markets to create a stronger brand image for BIL and, in turn, differentiate from the emerging competitors from India
- BIL is confident of gaining market share on the back of: 1) its capability to do branding at a global level and targeted rural markets in the key countries for a stronger brand recall; 2) existing 3,200 SKUs plus addition by ~4-5% every year makes its portfolio diversity unmatched; 3) cost differential on a per unit basis at the scale of BIL other than the made in India proposition; 5) continuous innovation of new products such as large-diameter radials, farm tracks, solid tyres, etc.

Bharat Electronics Ltd

- With a share in almost all the major upcoming orders over the next few years, Bharat Electronics Ltd. (BEL) is the best play in the defence space
- BEL is expediting efforts to increase non-defence revenue to diversify its business. Further, any breakthrough on export front (currently ~2% of sales) would provide a fillip to its growth.
- BEL has a promising order inflow pipeline, large order book and healthy balance sheet

Birlasoft Ltd.

- Birlasoft Ltd. has strength in non-ERP digital businesses like CRM, Business & data analytics, app development & enterprise solution
- It is Debt free and has healthy double digit return ratio (with RoCE of >18%)
- The recent change in management, organization restructuring, hiring of new vertical leaders are some factors which shall likely recover revenue growth momentum
- We believe the company's focus on deepening relationship with existing large accounts, vertical sales structure, leveraging of core and peripheral services, ramp-up of deal wins, and defined incentives of cross selling/up-selling would drive revenue growth

Cholamandalam Investment & Finance Co. Ltd.

- Comprehensive financial services provider offering vehicle finance, home loans, loan against property, SME loans, insurance agencies, mutual fund distribution, and a variety of other financial services to customers
- CIFIC will continue to invest in expanding the team and the distribution in new businesses
- Chola enjoys a significant presence in Tier II, III, and IV towns and cities

Deepak Nitrite Ltd.

- Deepak Nitrite (DNL) is one of the fastest growing and trusted chemical intermediates company in India with a diversified portfolio of products that caters to multiple industries with myriad applications
- BTC/BTF chemical manufacturing plant for Deepak Chem Tech Limited (DCTL) is expected to be commissioned in Q3 FY24, while Acid plant is expected to be commissioned in Q4 FY24
- Both these plants will significantly add to the profitability once commissioned and fully ramped up. This will also cater to internal captive consumption needs
- The company aims to become the largest player in Solvents, with a play on import substitution. It has already announced its foray into MIBK (40ktpa), MIBC (8ktpa), and Polycarbonate compounding

Global Health Ltd.

- Global Health's identity is Medanta brand and the reputation of Dr Trehan besides the flagship "Medanta The Medicity" hospital
- Global Health is one of the largest private multi-speciality tertiary care providers operating in the North and East regions of India in terms of bed capacity and operating revenues
- Company's strength is its ability to leverage on land space, new products and services and digital health

HDFC Life Insurance Co. Ltd.

- HDFC Life focuses on a superior product mix with a greater focus on high margin business, diversified distribution mix, and high technology focus puts the company ahead of the curve.
- Focused on developing multiple channels and new product propositions to cope with customer changing behavior, the company is expected to see an uptrend in market share
- Management is confident of VNB growth to be in line with APE growth leading to stable VNB margin

IDFC First Bank Ltd.

- Credit cost is expected to decrease as a result of reduction in high cost legacy borrowings
- The legacy issues related to asset quality are largely behind as the retail book has been reasonably tested during Covid, while stress in the wholesale book has been recognized and well provided for (99% PCR in the corporate segment). The bank's asset quality is likely to remain healthy with incremental focus on building a granular retail portfolio where it has superior underwriting expertise
- The bank has reported 5x growth in retail deposits over the past three years and simultaneously improved the CASA mix to 50%.
- Reduced high cost legacy borrowing, improved CASA ratio backed by strong retail book and improving asset quality shall aid margin expansion

Indian Hotels Co. Ltd.

- Multiple revenue growth drivers are in place for IH such as strong domestic consumption story, favorable demand-supply dynamics and rapid increase in hotels through asset-light model
- The company intends to utilise annual free cash flow generation of over Rs10bn to scale up new businesses further while always maintaining a cash buffer of Rs7.5bn for any future contingencies and doing selective greenfield expansion or acquisitions

IndusInd Bank Ltd.

- IndusInd Bank reported a healthy set of numbers in Q4FY23 with strong growth in loan book, stable NIMs and lower provisions

- With the introduction of the PC-6 strategy, the bank is confident of growing its loan book in the range of 18-23% over FY23-26E, driven by scaling up existing businesses and new launches of segments during this period.

Kalyan Jewellers India Ltd.

- Kalyan Jewellers India is one of the leading jewellery chains in India
- Share of non-south markets to revenue have been on the rise
- Store expansion with plans to launch 52 new stores in CY23 (17 in FY22 and 15 in 9MFY23 of which Q3 stores were all non south)

Kaynes Technology India Ltd.

- Leading end-to-end and IoT solutions-enabled integrated electronics manufacturing company
- Provides conceptual design, process engineering, integrated manufacturing and life-cycle support for major players in the automotive, industrial, aerospace and defence, outer-space etc.
- Indian ESDM industry is likely to grow at 30% CAGR over FY21-26 to INR9.9trn
- Breadth of product portfolio provides downside protection to the top line given that customers serving different industry verticals with different business or industry cycles

One 97 Communications Ltd.

- One 97 Communications Ltd (Paytm) is India's leading payments app and FinTech enterprise offering payments, financial services, commerce, and cloud services to its large consumer/merchant base. It is among the largest payments platform, with GMV of ~INR13.2t in FY23 (INR8.5t in FY22).
- Huge cross-sell opportunity: The company has grown its Monthly Transacting Users (MTUs) to 90m as of FY23 that provides a ready customer base to cross-sell financial products to consumers; while, robust growth in subscription devices has helped improve throughput and supported growth in merchant loans.
- Total payments industry is forecasted to double to USD16t by 2026, within which the mix of digital payments is likely to increase to 65%. Thus, digital payments are expected to surge ~3x to USD10t by 2026 from USD3t in 2021. Mobile payments are projected to grow even faster at ~5x to USD3t by 2026. Further, an increase in QR deployment will drive merchant payment, which is likely to jump ~6x to USD2.7t by 2026. Paytm will thus be a big beneficiary from this surge as it has a strong positioning in both digital payments and lending businesses

Piramal Enterprises Ltd.

- FY23 marked a significant turnaround year for Piramal Enterprises (PIEL). During this period, the company made substantial progress in multiple areas, including the completion of the asset recognition cycle, diversification of its retail book, and the implementation of technology-driven underwriting processes.
- These efforts led to improved asset quality, reduced concentration risk, and set the stage for achieving sustainable growth.
- PIEL has achieved remarkable progress in its retail franchise over the past three years. It has successfully ventured into several new product segments by conducting pilot programs and subsequently integrating those products into its mainstream offerings.
- We expect a retail disbursement/AUM CAGR of ~37%/~42% over FY23-25. Consolidation in Wholesale book and strong growth in Retail book will result in the proportion of Retail increasing to ~70% of the AUM mix by FY25E.

Timken India Ltd.

- Timken India (TMKN) is a market leader in tapered roller bearings with an overall market share of over 15% and better operating margins

- Indian bearing industry is expected to grow at ~11% CAGR between FY21-27 to over ~US\$3.4 billion which shall benefit TMKN
- The debt-free status, strong cash flows, high return ratios, upcoming expansion plans and robust revenue growth visibility over the long term, coupled with a domineering presence in a rapidly consolidating industry enhances our conviction on the growth of the company
- Timken India is a market leader in the freight (railway) segment with over 50% market share.

Exit Rationale:

Alkem Laboratories Ltd.

- Relentless price erosion in the US market, elevated input costs and higher marketing spends have taken a toll on Alkem's margins through FY23. This apart, the US business is expected to remain sluggish as investments are recalibrated amid challenges to growth.

Bayer CropScience Ltd.

- Near term weather challenges in domestic market coupled with pricing pressure in Glyphosate will likely keep stock performance under check

Bharat Forge Ltd.

- Exited for better opportunities

Birla Corporation Ltd.

- Exited for better opportunities

Clean Science and Technology Ltd.

- ROE is expected to decline between FY22-25
- Management projects stiffer competition as the global economy opens up with some short-term demand pressures to sustain

Container Corpn. Of India Ltd.

- EXIM volumes may remain subdued due to weak global environment
- domestic volumes typically fetch lower margins (18% vs 26% for EXIM)
- EXIM market share continues to decline

Cummins India Ltd.

- Exited for better opportunities

Emami Ltd.

- We remain cautious about core business growth, given the limited scope to add new consumers in niche categories

Gland Pharma Ltd.

- We expect competition to grow intensely in the coming quarters; demand is also expected to moderate for generic injectables
- Increase in raw material prices may impact the company's growth and margin in the upcoming quarters.

Housing Development Finance Corporation Ltd.

- Exited for better opportunities

Ipca Laboratories Ltd.

- Owing to the expensive Unichem acquisition and limited upside potential from its current levels.

Kotak Mahindra Bank Ltd.

- Exited for better opportunities

LTIMindtree Ltd.

- Switched to a better opportunity in IT space

Maruti Suzuki India Ltd.

- MSIL's management stated that the shortage of chips would likely impact the company's production volumes in FY24.

State Bank of India

- Exited for better opportunities

Tata Consultancy Services Ltd.

- BFSI and Retail verticals reported sluggish growth which may indicate softening of demand
- The growth rate may slow down in FY24 due to uncertainties in the world's largest economies

Voltas Ltd.

- FY23 was a difficult year for VOLT as competitors chipped away at its leadership in room ACs, pulling down its market share
- The consistent fall in market share is reflecting inadequate efforts to fix the competitive pressure

Disclaimers and Risk Factors

Value Migration Strategy Inception Date: NTDOP Strategy Inception Date: 3rd Aug 2007; Data as on 31st August 2023; Data Source: MOAMC Internal Research; 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. The Portfolio Manager manages allocations in all client portfolios by way of a model portfolio which is in line with investment objectives of the portfolio strategy/ investment approach. Unless there are specific exclusion instructions by individual clients, all clients' portfolios are aligned to a model portfolio; which means replication and alignment of all clients' portfolios in terms of scrip and allocation. New clients entering the strategy/ investment approach as of a particular date are also aligned to the model portfolio. It must be noted that there are certain circumstances in which clients' portfolio may deviate or differ from the model portfolios to a material extent. This may happen due to factors like liquidity and free floating consideration in some stocks, organization level exposure norms and related risk management, potential exit of a stock from the model portfolio thereby precluding it from buying in new client portfolios. The reasons quoted here are indicative but not exhaustive and the portfolio manager reserves the right to deviate from model portfolio for groups of clients depending on timing of their entry, market conditions and model portfolio construct at the time of their entry. Risk factors associated with the investment approach are Equity risk, Systematic risk, Concentration risk, Model portfolio risk, Mismatch risk and Execution risk. To know more about the risk factors, please refer disclosure document at motilaloswalmf.com. Investment in securities is 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. Please read Disclosure document carefully before investing.

Our PMS services are available in direct mode, to know more, write to us at pmsquery@motilaloswal.com