

MOTILAL OSWAL VALUE MIGRATION STRATEGY

September 2023
(Data as on 31st August 2023.
Inception date - 18th February 2003)

Investment Approach

Strategy Name: Value Migration 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.

Description of types of securities: Listed Equity

Basis of selection of such types of securities as part of the investment approach: To try and identify early indicators of value migration that helps in maximising investment gains. Framework set up through navigation across stages of value migration

Allocation of portfolio across types of securities: The strategy seeks to primarily invest in Equity and Equity-related instruments of large cap companies. However, the strategy has the flexibility to invest in companies across the entire market capitalization spectrum

Benchmark: S&P BSE 500 TRI

Indicative tenure or investment horizon: Medium to Long term

Key Features & Portfolio Attributes

20+ years track record with annualized return of 19.2% since inception. Concentrated portfolio of 26 stocks with high earnings growth. Each of the portfolio companies are market leaders in their respective segments.

Index agnostic: ~92% away from benchmark BSE 500.

Portfolio Actions In Last 3 Months

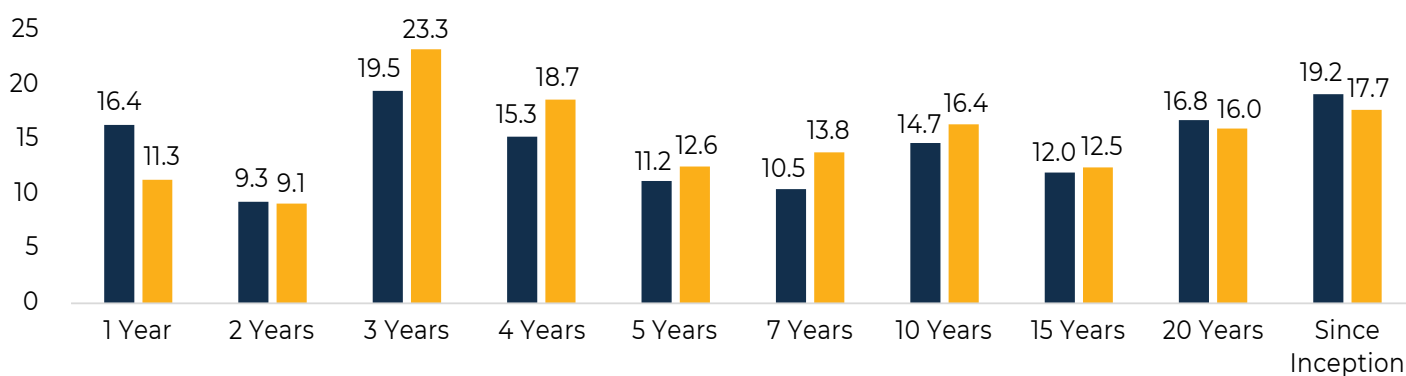
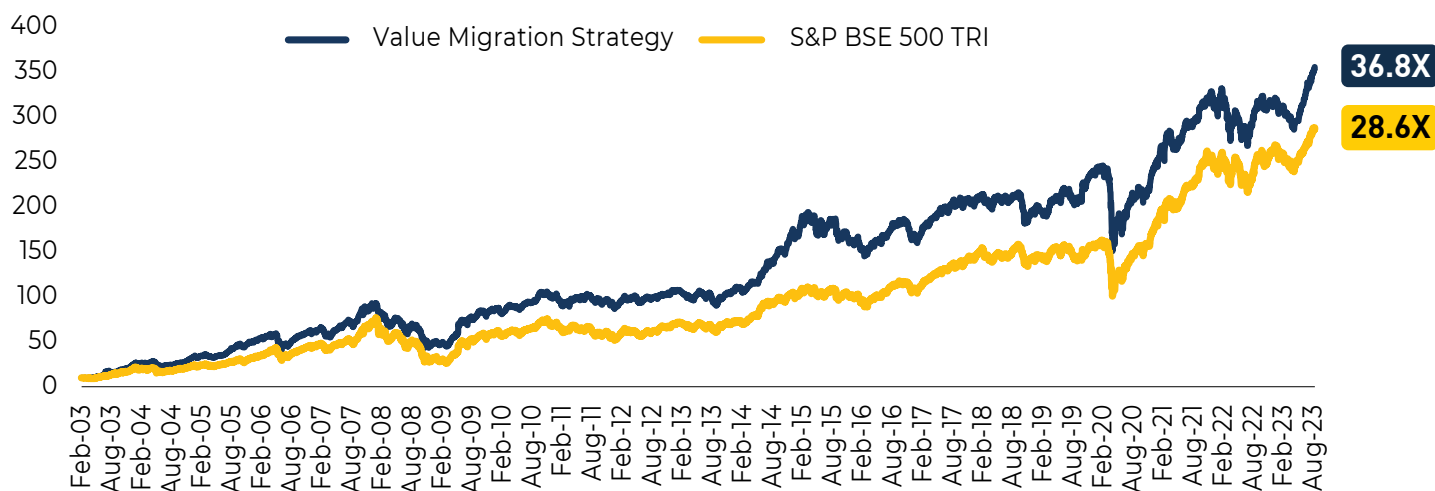
Companies Added: Angel Broking, Apar Industries, Kalyan Jewellers, Kaynes Technologies, Suzlon Energy

Companies Exited: FSN E Commerce, ICICI Bank, Tube Investments of India, AU Small Finance Bank, Axis Bank, Cholamandalam Investment & Finance

THINK EQUITY. THINK MOTILAL OSWAL.

Performance Since Inception

One lac invested in the strategy on 18th Feb 2003 would have grown to ~₹36.8 lacs today against ~₹28.6 lacs invested in Benchmark



Strategy Contributors (3 Year Trailing)

Top 5	Contribution
ICICI Bank Ltd.	20.2%
Larsen & Toubro Ltd.	16.6%
Tube Investments of India Ltd.	9.7%
Bharti Airtel Ltd.	9.3%
HCL Technologies Ltd.	8.0%

Bottom 5	Contribution
SBI Cards & Payment Services Ltd.	-6.2%
Dr. Reddys Laboratories Ltd.	-4.2%
AU Small Finance Bank Ltd.	-2.6%
Infosys Ltd.	-1.6%
SBI Life Insurance Company Ltd.	-1.1%

Risk Ratios

3 Year Data	Strategy	Benchmark
Standard Deviation	13.7%	14.5%
Beta	0.9	1.0
Sharpe Ratio	1.0	1.4

Portfolio Fundamentals & Market Cap

Market Cap	Weightage
Large Cap	32%
Mid Cap	18%
Small Cap	50%
Cash & Equivalents	0%

	QGLP Metrics
Q: ROE FY25E	15%
G: PAT Growth FY23-25E	35%
P: PE FY25E	25x

Top 10 Holdings & Sectoral Allocation

Scrip Name	(%) Holding
Zomato Ltd.	6.8
Religare Enterprises Ltd.	4.9
Idfc First Bank Ltd.	4.8
Archean Chemical Industries	4.7
Indusind Bank Ltd.	4.5
Angel One Ltd.	4.2
One 97 Communications Ltd.	4.1
Global Health Ltd.	4.0
Kaynes Technology India Ltd.	4.0
Gujarat Flurochemicals Ltd.	4.0
Bharat Electronics Ltd.	3.9
Larsen & Toubro Ltd.	3.9
Kalyan Jewellers India Ltd.	3.8
Siemens Ltd.	3.7
Radico Khaitan Ltd.	3.6
Finolex Cables Ltd.	3.6
Emudhra Ltd.	3.5
Medplus Health Services Ltd.	3.5
Home First Finance Company India Ltd.	3.5
Apar Industries Ltd.	3.3
Sun Pharmaceuticals Ltd.	3.2
Metro Brands Ltd.	3.2
Suzlon Energy Ltd.	3.1
Abb India Ltd.	3.0
Tech Mahindra Ltd.	2.8
Vedant Fashions Ltd.	2.4

Sector	(%) Allocation
Electrical Equipment	13.1
Retailing	12.6
Banks	9.3
Chemicals & Petrochemicals	8.7
Finance	8.4
Consumer Durables	7.0
Capital Markets	4.2
Financial Technology (Fintech)	4.1
Healthcare Services	4.0
Industrial Manufacturing	4.0
Aerospace & Defense	3.9
Construction	3.9
Beverages	3.6
Industrial Products	3.6
IT - Services	3.5
Pharmaceuticals & Biotechnology	3.2
IT - Software	2.8
Cash and Cash Equivalents	0.1

Fund Details

Fund Manager	Vaibhav Agrawal
Strategy Type	Open ended
Date of Inception	18 th February 2003
Benchmark	S&P BSE 500 TRI
Investment Horizon	3 Years +

- **Value Migration Strategy**

Entry Rationale:

AU Small Finance Bank Ltd.

- The bank continues to focus on technological innovations and updating technological capabilities
- The bank has been able to deliver on key parameters despite uncertain macro and a challenging environment.
- Asset quality continues to remain pristine; Asset quality performance of AU during covid phase reflects the quality of its asset franchise, resiliency of its customer base, strong risk management and tight credit filters. It continues to maintain pristine asset quality even in post covid era as reflected in a steady decline in GNPL ratio to 1.7% in Q4FY23 vs 1.8% in Q3FY23 and 1.9% in Q2FY23 with strong PCR at 75%.

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

FSN E-Commerce Ventures Ltd.

- Management emphasis is on profitable growth
- Sizeable customer base, partnerships with different brands, new product launches and focus on increasing stores remain key positives for the company. This, along with increasing revenue share from the BPC segment, will drive top-line growth.

Tech Mahindra Ltd.

- It is focused on leveraging next-generation technologies including 5G, Blockchain, Quantum Computing, Cybersecurity, Artificial Intelligence, and more, to enable end-to-end digital transformation for global customers.
- Tech Mahindra Ltd. is one of the top 5 IT companies in India which provides IT and ER&D services for telecommunication equipment manufacturers, telecom service providers, software vendors, and systems integrators.
- Management sees sustained and broad-based acceleration in the deal pipeline. It expects the deal win momentum to continue.

Vedant Fashions Ltd.

- Vedant Fashions (VFL), with a pan-India presence covering 250 cities and 640 stores, has established itself as a strong brand within the highly underpenetrated and unorganized ethnic wear segment (~20% branded). Limited competition, growing cultural pull and strong brand recall present a huge runway of growth for VFL.
- The company's: a) strong design capabilities with data-driven decision making (leading to no discounted sales), b) tech-driven supply chain and auto replenishment model c) exclusive vendor ecosystem, and d) franchise based EBO expansion have helped scale up its business and achieve superior margins
- The company's minimal capex requirements, attributed to the franchise-funded growth and its strong profitability, are likely to translate into a healthy cash conversion cycle and an ROIC

eMudhra Ltd.

- eMudhra Limited is India's largest licenced Certifying Authority ("CA").
- The company has strong digital signature certificate expertise and is the only Indian company to be directly recognized by renowned browsers and document processing software companies
- One-stop shop solution provider in secure digital transformation and is well-positioned to capture the favourable industry dynamics in India and globally
- Diverse, longstanding and growing customer base

Exit Rationale:

Bajaj Finance Ltd.

- Exited for better opportunities

Bharti Airtel Ltd.

- Rise in competitive and regulatory intensity
- Market share loss in India mobile business

HCL Technologies Ltd.

- The near-term outlook for IT services still remains sceptical due to delayed decision making and prevailing uncertainties in North America.
- Supply-side constraints will take some more time to ease off

HDFC Bank Ltd.

- Exited for better opportunities

Hindustan Unilever Ltd.

- Despite price cuts and a sequential increase in A&P, volumes are still growing at a feeble pace; rural demand recovery is delayed

Infosys Ltd.

- Global uncertainties and economic slowdown may impact the automation spend and result in delays in investment decisions in North America from where the company earns its majority of the revenue (~40%)
- IT services are expected to have lower demand in the near term.

Maruti Suzuki India Ltd.

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

Max Financial Services Ltd.

- Expectation for generating the cash from its core business has declined.
- Total Annualized premium equivalent (APE) de-grew by 5% YoY due to continued deceleration in the AXSB channel.

SBI Life Insurance Company Ltd.

- Exited for better opportunities

Disclaimers and Risk Factors

Value Migration Strategy Inception Date: 18th Feb 2003; 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